CITY OF PEABODY, MASSACHUSETTS
HOUSING PRODUCTION PLAN

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1. EXECUTIVE SUMMARY

1.1 Background and Purpose

The City of Peabody has a long history of planning to guide housing development that meets a diversity of local needs. For example, in 2002 the City adopted a Master Plan that addressed future development, including the unique challenges of continuing to provide housing in a community with little available land. Also in 2002, the City convened an Affordable Housing Strategy Committee to prepare a Housing Needs Assessment and Strategy to provide a more detailed analysis of local housing needs and actions that the City should undertake to better promote affordable housing. The City has also completed Strategic Housing Plans, also known as Five-Year Consolidated Plans (most recently for 2015-2019), which are required by HUD to identify priority housing and community development needs as well as strategies for using federal funding to address these needs.

In 2013 the City, through its Department of Community Development and Planning, updated its Housing Needs Assessment and Housing Strategy, insuring compliance with the state's Housing Production requirements under Massachusetts General Laws Chapter 40B, 760 CMR 56.00.[1] That Plan was approved by the state and expired in July 2018.

This Housing Production Plan represents another opportunity for the City of Peabody to fully examine the relationship between the specific impacts of demographic changes relative to housing and the dynamics of market conditions, further updating the previous Housing Plans. Only by understanding these changes can the City determine the current and future housing needs of its citizenry and develop strategies to continue meeting the wide range of identified needs.

Ultimately the intent is that the Housing Production Plan, in accordance with the HUD Five-Year Plan, will provide guidance to the City as it renders decisions on any number of policy issues regarding housing such as where to allocate resources for the production of new affordable and workforce housing, how to revise its existing zoning as it relates to building new housing, and how to engage housing developers and service providers in partnerships that will work to address identified needs.

This Housing Plan also provides a potential opportunity for the City to deny what it considers to be inappropriate Chapter 40B comprehensive permit applications if it can meet annual housing production goals. While the City has made progress in producing affordable units, it still has a gap of 110 affordable units to reach the 10% affordability threshold under Chapter 40B when it would no longer be susceptible to zoning overrides by comprehensive permit applications that are determined to be inappropriate and

[1] The state administers the Housing Production Program that was created to give cities and towns greater local control over affordable housing development. If a municipality adopts an affordable housing plan and then actually meets unit production goals of at least 0.50% of its year-round housing stock in any one year (111 units), the City may be able to deny inappropriate comprehensive permit projects for at least one year and for two years if 1.0% of its year-round housing stock is produced (222 units).

do not meet local needs. Housing growth will drive the 10% goal upwards, as adjusted by each decennial census, and therefore it is a moving target.

Even when the City surpasses the Chapter 40B threshold, Peabody will still have considerable unmet housing needs as documented in Section 3.4. Additionally, the comprehensive permit process can still be an efficient permitting tool and has been used effectively in communities that are beyond the 10% affordability threshold.

1.2 Summary of Significant Demographic and Housing Characteristics and Trends

The Housing Needs Assessment, included in Section 3 of this Housing Production Plan, provides information on demographic and housing characteristics and trends with the following key findings:

Demographic and Economic Trends

Population growing slowly but significant projected increases through 2030

Following a decline in population in the 1970s, Peabody's population increased steadily but relatively more slowly with a total growth rate of 9.0% between 1990 and 2010 to 51,251 residents. Census estimates from the American Community Survey suggest a 2.7% increase after that to 52,610 residents in 2017. City records indicate a population of 52,474 as of October 2018, very close to the 2017 census estimate.

Population projections from the Metropolitan Area Planning Council (MAPC), Peabody's regional planning agency, estimate that the population will grow to 55,091 residents by 2030, representing a 7.5% rate of growth since 2010.[2] This is based on their more conservative growth scenario. The State Data Center at the University of Massachusetts' Donahue Institute projects even higher growth to 60,500 by 2030, reflecting an 18% growth rate since 2010.

Declining numbers of younger residents and increases in older ones

Census data indicates that the median age of residents has increased significantly from 36.1 years in 1990 to 44.3 years in 2017. Between 1990 and 2017, those 65 years of age or older increased by 65%, from 6,655 to 10,988 residents or from 14.1% to 20.9% of the population. There were also a 52% increase in the older middle-age population of 55 to 64 years.

On the other hand, the number and proportion of children under age 18 declined by 8.2% during this period; younger adults in the family formation stage of their lives, the 25 to 34-age range, decreased by 18%; and those who were somewhat older, age 35 to 44, decreased by 22%. Clearly an increasing number of those who were raised in Peabody are choosing to live elsewhere.

High projected increases in older residents

Those over age 65 are estimated to increase from 20.5% of all residents in 2010 to 29.5% by 2030, representing a gain of 5,741 residents in this age category and a 55% growth rate. The Baby Boom generation will continue to drive the City's demographic composition over the next couple of decades, and the City's housing agenda will have to address this continuing demographic shift.

[2] This Executive Summary uses MAPC's Status Quo projections based on a continuation of rates of births, deaths, migration, and housing occupancy.

Declines in families

Family households declined as a percentage of all households from 74% in 1990 to 62% by 2017, correlated to the declines in children and school enrollments.

Increases in smaller households

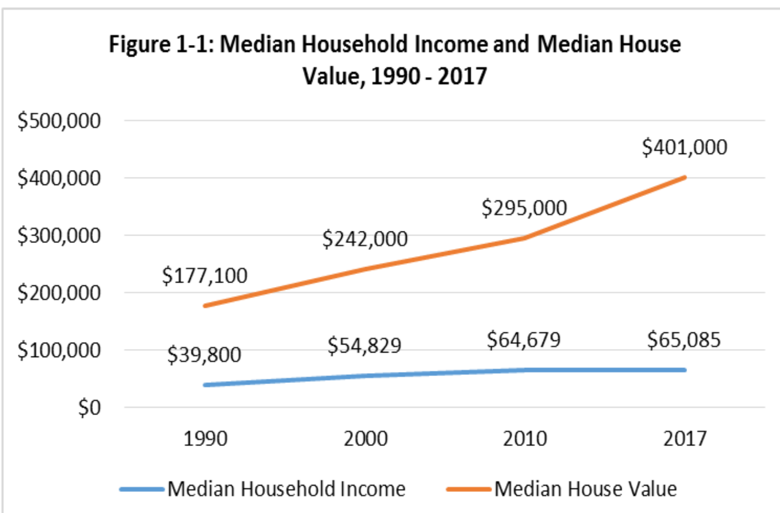
The number of households increased between 1990 and 2017, from 17,556 to 21,467, representing a growth rate of 21.4% compared to the population growth rate of 11.6%. This growth is largely explained by significant increases in smaller households, including those living alone. MAPC projections suggest continued increases to 24,754 households by 2030, larger than the projected population growth rate of 7.5%. *This trend suggests the need for a greater number of smaller units to accommodate a growing population of smaller households.*

Rising income levels lagging behind the rate of inflation and state levels

Incomes have increased substantially with the median household income level growing from $39,800 in 1990 to $65,085 by 2017. This represents a 63.5% rate of growth that was lower than the rate of inflation at about 88% during this period. Peabody's median household income is also lower than the statewide level of $74,167.

Growing income disparities

Incomes have not kept pace with housing prices and an affordability gap becomes immediately apparent in Figure 1-1.



Also, despite increasing incomes, there are still substantial numbers of residents with very limited financial means as 26.5% of households were earning less than $35,000, 18.6%% earning less than $25,000 based on 2017 census estimates.

There is also a large income disparity between owners and renters as reflected in median income levels of $86,644 and $39,912, respectively.

Recent increases in poverty

While the proportion of those living below the poverty level is lower for Peabody than state and county levels, at 11.4% and 10.9% respectively, census estimates suggest an increase from 4.9% in 2010 to 9.8% in 2017. While such a large increase is questionable, it nevertheless suggests a troubling trend. While poverty is estimated to have decreased for seniors, there were substantial increases for families and children.

Diverse and expanding labor force

State workforce data shows an increase in average employment from 23,577 workers in 2010 to 24,453 in 2017 with a decrease in the unemployment rate from 7.4% to 2.8%. This information also confirms that Peabody's economy includes a mix of employment opportunities with some significant growth in the construction as well as technical or professional services sectors. Of particular note is the increase in establishments and jobs in the health care and social services industries. There were also significant job losses in manufacturing and wholesale trade as well as the elimination of agricultural or fishing jobs.

The average weekly wage also increased from $875 in 2010 to $995 in 2017, translating into annual wages of $45,675 to $51,939. This 2017 weekly wage was significantly lower than the median household income of Peabody residents of $65,085, indicating that those who have jobs in Peabody are generally earning less than those who live in the community.

Significant special needs
Of all Peabody residents in 2010, 7,292 or 14.2% claimed a disability, which increased to 15.1% by 2017, high in comparison to the statewide percentages of 11.0% and 11.6% in 2010 and 2017, respectively. It should be noted that the projected increase in older residents, predicted to grow from 20.5% of all residents in 2010 to 29.5% by 2030, will likely increase the level of special needs in the community. *This data indicates that there are significant special needs within the Peabody community and suggests that the City make a concerted effort to produce special needs housing, including units that are handicapped accessible and/or have supportive services.*

Housing Trends

Slower housing growth
There were 4,655 new housing units created between 1990 and 2009, representing an overall growth rate of more than 20%, which was considerably higher than population growth of 9% during the same period. This is likely due to the increasing number of smaller households that had been forming over those decades.

MAPC's projections suggest an increase to 24,223 and 25,932 units by 2020 and 2030, respectively, which would translate into a growth rate of 9.0% and 16.7%, respectively, since 2010. Such projections are likely high given past rates of development according to building permit activity with only 226 units produced between 2010 and 2018, representing growth of only 1%.

Based on projected growth through about March 2020, when the census figures are typically compiled, that is informed by building permit activity and pipeline development, it is likely that the year-round housing figure will increase from 22,135 units to no more than about 23,000 units, which would suggest an increase in the annual housing production goal to about 115 units per year. It would also result in the City coming very close to the 10% affordability goal, at about 9.9%, assuming no further fall-off of expiring use units and the development of the potential projects listed under Section 3.3.

Comparable level of owner-occupancy to Essex County and the state
Of the 22,220 total housing units in 2010, Peabody had 22,135 year-round units[3] of which 21,313 or 95.9% were occupied. Of the occupied units, 13,988 or 65.5% were owner-occupied and the remaining 7,325 units or 34.4% were renter-occupied. These figures represent only a slightly higher level of owner-occupancy to that of Essex County as a whole, where 63.8% of the units were owner-occupied, and the state as well with a 62.4% level of owner-occupancy.

[3] The year-round figure is the one used under Chapter 40B for determining the 10% affordability goal and annual housing production goals. It is calculated by subtracting the seasonal or occasional units (85) from the total number of units (22,220).

Continuing increases in rental units and diversity of the housing stock

Peabody experienced an increase of 2,408 rental units in comparison to 1,503 owner-occupied units between 1990 and 2017, which has helped diversify the housing stock and serve a wider range of local housing needs. Moreover, units in larger multi-family structures of ten or more units increased substantially, more than doubling in number between 2000 and 2010, but decreasing somewhat according to 2017 census estimates.

Mobile homes continue to be a significant and relatively affordable segment of Peabody's housing stock, however, such units declined from 1,066 units in 1990 to 590 by 2010. The current number of mobile homes is 742. The City should continue to focus on how to improve and protect this important inventory.

Continuing low vacancy rates

The vacancy rate was only 1.0% for ownership and a bit higher for rentals at 5.1% in 2010, however, according to census estimates the homeownership rate remained about the same and the rental rate declined to less than 1% by 2017. Any rate of less than 5% represents very tight market conditions.

Housing costs remain high

Unlike many communities in the Commonwealth, Peabody's housing market has rebounded from pre-recession levels in terms of both median sales prices and number of sales. The median single-family home price is high at $431,000 as of November 2018. A household would have to earn approximately $98,188 based on 80% mortgage financing to afford this price.[4] The median condo price was $325,000 requiring an income of about $81,878 with a 20% down payment.

Concerning rentals, the $1,266 gross rent identified in the 2017 census estimates would require an income of about $57,640 based on spending no more than 30% of the household's income on rent and average monthly utility costs of $175. This income level is much higher than the median income of renter households of $39,912. Also, market listings were typically well above this median rent level with lower priced listings for two-bedroom apartments of about $1,750, close to HUD Fair Market Rent (FMR) limit of $1,740 and requiring an income of about $77,000, higher than the median household income of $65,085.

Decreasing affordability of the single-family housing stock

Based on City assessments and calculated affordable prices, there were only 150 single-family homes affordable to those earning at or below 80% AMI, down from 388 in 2011. Condos were generally more affordable with 428 or 15.5% affordable to those earning at or below the 80% AMI range while half were likely affordable to those earning between the 80% and 100% limits.

Increasing cost burdens

A HUD report estimates that of the 21,650 total households living in Peabody, 38% or 8,195 were spending too much on their housing, defined as more than 30% of income, including 17% or 3,705 households spending more than half their income on housing costs.

[4] Based on interest rate of 5.0%, 30-year fixed mortgage term, 2018 property tax rate of $11.01 per thousand, insurance of $6 per thousand for single-family homes and $4 per thousand for condos, $250 monthly condo fees, the purchaser spending 30% of income on housing costs, and 80% financing.

This report also indicated that there were 10,780 households, or about half of all households, who were earning at or below 80% median family income (MFI) and might be eligible for housing assistance based on income alone.[5] Of these households, 6,730 or 62.4% were spending more than 30% of their income on housing including 3,525 or one-third spending more than half on housing costs.

Widening affordability gaps
Significant gaps remain between what most current residents can afford and what housing is available. In the case of the single-family home, there is a gap of $145,000, the difference between what the median income earning household could afford of $286,000 (based on 80% financing) and the median price of $431,000. A few years ago, there was no affordability gap as the median income earning household could afford an estimated $304,000 in 2012, higher than the median house price of $300,000 at the time. It is important to note that the upfront cash requirements for the down payment and closing costs in effect substantially add to the affordability gap, particularly in the case of 80% financing, translating into as much as $95,000 in the case of a $431,000 purchase. Credit checks are another challenge for purchasers.

In regard to condos, the affordability gap is $76,000, the difference between what the median income earning household can afford, or $249,000 (based on 80% financing), and the median priced condo of $325,000.

An affordability gap for rentals can also be calculated as the difference between what a median income earning household can afford, or $1,452, and the median rent of $1,266. Consequently, there is no affordability gap. However, the median income earning renter household with an income of $39,912 could afford a rent of about $823 and thus the gap would be $443.

Peabody remains a vibrant community and desirable place to move to, to work in and to raise children. The City is also well ahead of most communities in the Commonwealth in regard to providing affordable housing and promoting "smart" land use patterns. However, based on the affordability gap that has been growing, largely outside of the City's control due to demographic and economic conditions, the City cannot afford to be complacent.

This Housing Production Plan provides the tools for the City to make progress on reducing the affordability gap. Through a range of strategies including zoning changes, partnerships with developers and service providers, and subsidies, the City can continue to play a meaningful role in promoting housing options that match people to appropriately priced and sized units – producing housing that reflects local needs.

1.3 Priority Housing Needs
The City intends to continue its focus on increasing the supply of housing at a variety of levels of affordability, including both rental and homeownership options. Many of the existing affordable units are included in the Subsidized Housing Inventory (SHI), summarized in Table 3-31, or are rented on the private market through rental subsidy programs that make up the difference between a fair market rent and what a low or moderate-income household can afford. There are other existing privately-owned units that, while not subsidized, should still be preserved to the greatest extent possible as they provide some level of relative affordability and help diversify the housing stock. To accomplish this, the City

[5] Median family income (MFI) is comparable to area median income (AMI).

recognizes the importance of working with private sector stakeholders to devise and implement strategies that preserve and produce a broad range of affordable housing options.

Based on input from a wide variety of sources including demographic, economic and housing characteristics and trends (Section 3.1, 3.2 and 3.3); the HUD Consolidated Plan for 2015-2019; the Master Plan; 2013 Housing Production Plan; other prior planning efforts; and community input; the following priority housing needs have been identified:

- ***Increase the number of affordable units***
  Given the substantial numbers of residents who are paying too much for their housing and the gaps between the need and supply of affordable units, there is a pressing need to produce more such units in Peabody. The major obstacle to meeting these underserved needs is the gap between the level of need and the resources available.

  Both rental and ownership housing are needed as Peabody should continue to encourage a mix of housing types in response to diverse housing needs. There is a clear need for rental units for those with lower-paying jobs, many in the City's service economy, who are encountering serious difficulty finding housing that they can afford in Peabody. Because state housing subsidy funds are almost exclusively directed to rental housing and because the City places the highest priority on meeting the housing needs of its most financially vulnerable citizens; this Housing Plan identifies the creation of new rental units as the top priority.

  Efforts to provide starter homes for first-time homebuyers who invest in the City's neighborhoods as well as options for empty nesters to downsize are also needed. Market conditions have placed the purchase of homes beyond the financial means of low and moderate-income households, and owners need opportunities to "buy up" as their families grow. Infill development, cluster development, and the redevelopment/reuse of existing properties in partnership with non-profit organizations and private builders offer the best options for increasing affordable homeownership opportunities in Peabody.

- ***Preserve the existing affordable housing stock***
  Another priority is to preserve existing affordable units, whether they be subsidized or not, to benefit low and moderate-income individuals and families. The emphasis will therefore be on pursuing the redevelopment and substantial rehabilitation of existing buildings.

  While the City can currently count 2,104 units as part of its Subsidized Housing Inventory, these are only units that meet all of the rigorous standards of the state – the big "A" affordable units. Most actual affordable units – what is commonly referred to as little "a" affordable units – are unsubsidized and part of the private housing stock. In fact, private landlords are the greatest provider of affordable housing in Peabody as many keep rents at artificially low levels to maintain good tenants. Efforts to help property owners maintain these little "a" affordable units are a priority for the City.

  Additionally, many low and moderate-income homeowners lack sufficient resources to properly maintain their homes and address substandard housing conditions. Investors of multi-unit properties also need financial support and/or incentives to make necessary repairs. Improvements should incorporate modifications to improve handicapped accessibility and eliminate lead-based paint and housing code violations. In some cases, additional funding is required to maintain a property's historic character as well.

- ***Prevent homelessness***
  Providing stable and affordable opportunities for those transitioning out of shelters or special programs remains a very high priority as everyone has a right to a decent and stable home.

  The City's Five-Year Consolidated Plan for 2015-2019, as required by HUD for federal funding, emphasizes that homelessness remains a problem within the North Shore region. The Consolidated Plan also points out that the lowest income households, particularly those earning at or below 30% AMI and spending too much for housing, are frequently living in overcrowded and substandard conditions that are only providing short-term housing solutions. The number of those in this situation, who are most at-risk of homelessness, is significant and growing.

Based on annual housing production goals of 115 units per year, based on projected year-round housing units when 2020 census figures are released, the following housing goals by priority need are proposed:

- 90% of affordable units produced would involve increasing the number of affordable units and 10% for preserving the existing housing stock.
- Of the 104-unit new affordable housing construction goal, 90% of the units would be targeted for rentals with the remaining 10% as first-time homeownership units.
- Of the 94 projected new rental units produced annually, about half would be directed to seniors, single individuals, persons with disabilities, or those who are homeless or at risk of homelessness. The other half would be targeted for families.

Table 3-36 provides these goals on an annual and 5-year basis.

1.4 Summary of Housing Production Goals

The state administers the Housing Production Program that enables cities and towns to adopt an affordable housing plan that charts annual housing production of 0.50% over one year or 1.0% over two-years of its year-round housing stock eligible for inclusion in the Subsidized Housing Inventory. If the state certifies that the locality has complied with annual production goals, the City may be able, through its Zoning Board of Appeals, to deny comprehensive permit applications that it considers to be inappropriate or unresponsive to local housing needs.[6] Peabody's annual housing production goal is at least 111 affordable units, a formidable challenge, and housing growth will continue to drive-up the 10% affordability threshold and annual production goal.

[6] If a community has achieved certification within 15 days of the opening of the local hearing for the comprehensive permit, the ZBA shall provide written notice to the applicant, with a copy to DHCD, that it considers that a denial of the permit or the imposition of conditions or requirements would be consistent with local needs, the grounds that it believes have been met, and the factual basis for that position, including any necessary supportive documentation. If the applicant wishes to challenge the ZBA's assertion, it must do so by providing written notice to DHCD, with a copy to the ZBA, within 15 days of its receipt of the ZBA's notice, including any documentation to support its position. DHCD shall review the materials provided by both parties and issue a decision within 30 days of its receipt of all materials. The ZBA shall have the burden of proving satisfaction of the grounds for asserting that a denial or approval with conditions would be consistent local needs, provided, however, that any failure of the DHCD to issue a timely decision shall be deemed a determination in favor of the municipality. This procedure shall toll the requirement to terminate the hearing within 180 days.

It should be noted that the state's subsidizing agencies have entered into an Interagency Agreement that provides more guidance to localities concerning housing opportunities for families with children and are now requiring that at least 10% of the units in affordable production developments that are funded, assisted or approved by a state housing agency have three or more bedrooms with some exceptions (e.g., age-restricted housing, assisted living, supportive housing for individuals, SRO's. etc.).

1.5 Summary of Housing Strategies

The strategies summarized in Table 1-1 are based on previous plans, reports, studies, the Housing Needs Assessment, local housing goals, public forums, and the experience of other comparable localities in the area and throughout the Commonwealth. They are divided into those that help bolster local capacity to promote affordable housing as well as those that address priority housing needs. They are also categorized according to projected timeframe for implementation. Moreover, the strategies reflect state requirements that ask communities to address a number of major categories of strategies to the greatest extent applicable.[7] Also, while a major goal of this Plan is to once again exceed the state's 10% goal under Chapter 40B, another important goal is to serve the range of local housing needs. Consequently, there are instances where housing initiatives might be promoted to meet community needs that will not necessarily result in the inclusion of units in the Subsidized Housing Inventory.

It is also important to note that these strategies are presented as a package for the City to consider, prioritize, and process, each through the appropriate regulatory channels. Moreover, the proposed actions present opportunities to judiciously invest limited local funding to build local capacity, modify or create new local zoning provisions, and subsidize actual unit production that leverages other necessary resources such as predevelopment funding and/or subsidies to fill the gap between total development costs and affordable rent or purchase prices.

[7] Massachusetts General Law Chapter 40B, 760 CMR 56.03.4.

Table 1-1: Summary of Housing Strategies

Strategies	Priority for Implementation			
	In Years 1-2	In Years 3-5	# Affordable Units	Responsible Parties**
Strategies That Build Local Capacity To Promote Affordable Housing				
6.1.1 Consider stablishing and capitalizing an Affordable Housing Trust Fund	X		*	M/CC
6.1.2 Conduct ongoing community outreach and education	X		*	M/PHT/PB etc.
Strategies That Address Priority Housing Needs				
Priority Need #1: Increase the number of affordable units				
6.2.1 Consider modifying the inclusionary zoning ordinance	X		20	PB
6.2.2 Pursue 40R/40S Smart Growth Zoning and other overlay districts		X	50	PB/PHT
6.2.3 Promote “friendly 40B” and other 40B development	X		165	M/ZBA
6.2.4 Make suitable public property available for affordable housing	X		32	M/CC/PHT
6.2.5 Promote nontraditional housing models		X	148	PB/PHT
6.2.6 Consider changes to cluster development ordinance		X	(9 included Under 6.2.6)	PB/PHT
Priority Need #2: Preserve the existing affordable housing stock				
6.2.7 Monitor and maintain SHI units	X		*	M
6.2.8 Continue funding Housing Rehabilitation efforts	X		75	M/CC
6.2.9 Convert existing housing to long-term affordability		X	16	M/PHT
Priority Need #3: Prevent Homelessness				
6.2.11 Provide funding to fight homelessness	X		*	M/CC

* Indicates actions for which units are counted under other specific housing production strategies, have an indirect impact on production, do not add to the Subsidized Housing Inventory, or cannot be counted towards production goals.

****Abbreviations**

Mayor = M
City Council = CC
Planning Board = PB   Proposed Housing Trust = PHT
Community Preservation Committee = CPC   Zoning Board of Appeals = ZBA Building Inspector = BI

2. INTRODUCTION

2.1 Background and Purpose of Project

The City of Peabody is strategically located 18 miles north of Boston at the intersection of several major highways including Route 128, Route 1 and I-95. The City is bordered by Lynnfield on the west, Middleton and Danvers on the north, Salem on the east, and Lynn on the south. Given its strategic location, Peabody has historically been the major employment center of the North Shore, transitioning from one of the world's great leather producers to a more diverse economic base centered in the Centennial Industrial Park, North Shore Mall and Downtown.

In regard to housing, Peabody is home to a strong housing authority that owns hundreds of affordable units and administers many rental subsidy vouchers. Nonprofit organizations and private developers have also actively participated in the affordable housing market, contributing hundreds of more units. While Peabody increased its overall percentage of affordable units from 7.6% to 10.8% of the total housing stock in the last decade, updated housing growth figures brought the community's percentage of affordability down to 9.5%, once again making the City susceptible to unwanted Chapter 40B comprehensive permit projects.

Despite local progress in the creation of affordable housing, it is clear that more housing options in Peabody and the region are needed, and City policies continue to reflect a dedication to increasing housing opportunities for all segments of the population. For example, multi-family housing is allowed by right in several zoning districts, and several large parcels in the Downtown have been rezoned to accommodate additional residential development. Another integral component of the City's affordable housing policy is the Inclusionary Zoning Ordinance, adopted in December of 2004, that requires the integration of affordable housing in all projects of eight units or more.

This Housing Production Plan represents an effort to update a Housing Needs Assessment and Strategy that was prepared and approved in 2003 and another Housing Production Plan approved by the state in 2013 to guide future affordable housing development. This Plan will provide a continuing roadmap for policies, projects, initiatives, and regulatory changes that will help Peabody create more affordable housing opportunities to support a diverse population.

2.2 What is Affordable Housing?

Affordable housing, sometimes referred to as subsidized housing or community housing, is defined by the income of the household in comparison to housing costs. For example, the federal government identifies units as affordable if a household is paying no more than 30% of its income on housing, whether for ownership or rental. If households are paying more than this threshold, they are described as experiencing housing affordability problems or cost burdens; and if they are paying 50% or more for housing, they have severe housing cost burdens. A detailed analysis of affordability is included in Section 3.3.5.

Affordable housing is also defined according to its availability to households at percentages of median income for the area, and most housing subsidy programs are targeted to particular income ranges depending upon programmatic goals. Extremely low-income housing is directed to those earning at or below 30% of area median income (AMI) as defined annually by the U.S. Department of Housing and Urban Development (HUD) and very low-income is defined as households earning between 31% and 50% AMI. Low-income generally refers to the range between 51% and 80% AMI.

A summary of income limits is included in Table 2-1. Peabody is part of the Boston, MA-NH Metro Area that includes a considerable number of communities in the Greater Boston area, including some in New Hampshire and extending down to the south coastal area. The map below shows this extensive area.

Table 2-1: HUD Income Limits for the Boston-Cambridge-Quincy, MA-NH HUD Metropolitan Area, 2018

# Persons in Household	30% AMI	50% AMI	80% AMI	100% AMI *	120% AMI **
1	$22,650	$37,750	$56,800	$75,460	$90,552
2	$25,900	$43,150	$64,900	$86,240	$103,488
3	$29,150	$48,550	$73,000	$97,020	$116,424
4	$32,350	$53,900	$81,100	$107,800	$129,360
5	$34,950	$58,250	$87,600	$116,424	$139,709
6	$37,550	$62,550	$94,100	$125,046	$150,055
7	$40,150	$66,850	$100,600	$133,672	$160,406
8+	$42,750	$71,150	$107,100	$142,296	$170,755

Source: U.S. Department of Housing and Urban Development (HUD),
*Figures provided by the Community Preservation Coalition
**Based on 120% of 100% figures.

Boston-Cambridge-Quincy, MA-NH CBA

Source of Report: Competitive Bidding Implementation Contractor (CBIC)
Run Date: 7/18/2011

In general, programs that subsidize rental units are typically targeted to households earning below 50% and/or 60% AMI with some lower income requirements at the 30% AMI level. First-time homebuyer projects and the state's Chapter 40B comprehensive permit program typically apply income limits of up to 80% AMI. Income limits under the Community Preservation Act (CPA) are up to 100% AMI. This CPA funding has been adopted in more than 170 communities across the state to support open space preservation, historic preservation, recreation and community housing activities through a local property tax surcharge, also leveraging state funding. Some further income thresholds refer to workforce units for those earning up to 120% AMI for example but still priced out of a good portion of the local housing market.

A common definition of affordable housing relates to the Chapter 40B comprehensive permit program. The state established legislation for promoting affordable housing under the Massachusetts Comprehensive Permit Law (Massachusetts General Laws Chapter 40B).[8] This legislation allows developers to override local zoning if the project meets certain requirements, the municipality has less than 10% of its year-round housing stock defined as affordable in its Subsidized Housing Inventory (SHI), or housing production goals and other statutory requirements are not met. Specifically, all SHI units must meet the following criteria:

1. Permanent units subsidized by an eligible state or federal program or approved by a subsidizing agency.
2. At least 25% of the units must be affordable to those earning at or below 80% area median income (AMI) or 20% must be affordable to those earning at or below 50% AMI.
3. Subject to a long-term deed restriction limiting occupancy to income-eligible households for a specified period of time.
4. Subject to an Affirmative Fair Housing Marketing Plan.

Of the 22,135 year-round housing units in Peabody, 2,104 or 9.5% meet the Chapter 40B requirements and thus have been determined to be affordable by the Commonwealth of Massachusetts as part of the SHI. This means that the City has a gap of only 110 affordable units to reach the 10% affordability threshold under Chapter 40B and thus no longer be susceptible to zoning overrides by comprehensive permit applications that are determined to be inappropriate and do not meet local needs. Housing growth will drive the 10% goal upwards, as adjusted by each decennial census, and therefore it is a moving target.

Even when the City surpasses the Chapter 40B threshold, Peabody will still have considerable unmet housing needs as documented in Section 3.4. Additionally, the comprehensive permit process can be an efficient permitting tool and has been used effectively in communities that are beyond the 10% affordability threshold.

2.3 Housing Goals and Challenges

The 2002 Master Plan introduced the following vision for the City:

> *The City of Peabody shall continue to be a vibrant and balanced community in which to live and work. The City shall strive to improve the quality of life for all the residents by providing a mix of housing and transportation options and superb natural, cultural and recreational amenities. City policies shall continue to support a variety of land uses and a strong economic base in order to ensure stability in the community.*

The mix of housing options is further articulated in the Master Plan's stated housing goal, which is to *ensure that a full range of housing options exists for all Peabody residents and families regardless of income level, physical ability, and age.* The Master Plan also identified three (3) main housing policy areas that included:

[8] Chapter 774 of the Acts of 1969 established the Massachusetts Comprehensive Permit Law (Massachusetts General Laws Chapter 40B) to facilitate the development of affordable housing for low- and moderate-income households (defined as any housing subsidized by the federal or state government under any program to assist in the construction of low- or moderate-income housing for those earning less than 80% of median income) by permitting the state to override local zoning and other restrictions in communities where less than 10% of the year-round housing is subsidized for low- and moderate-income households.

1. Preservation and improvement of the existing housing stock to maintain affordable units and to upgrade living conditions and property values.
2. Development of new units to meet state housing goals.
3. Use of regulations to encourage and support affordable housing.

These goals and policies continue to provide the context for the strategies that are recommended in this Housing Production Plan, addressing the diverse housing needs in the community as summarized in Section 1.3 above and detailed in Section 3.4. These strategies will continue to provide a blueprint to help Peabody go beyond the state 10% affordable housing goal, presenting a proactive housing agenda of City-sponsored initiatives. Also, if the City meets the annual goal of producing 111 units or reaches the 10% affordability threshold, it will have the ability to deny unwanted Chapter 40B developments.

While there is a demonstrated commitment to producing affordable housing in Peabody, the City also recognizes that *obstacles to new development exist* that will challenge new initiatives. Such challenges include the limited amount of developable property, zoning, community perceptions, limited public transportation, infrastructure, and available funding (see Section 4 for details).

In summary, gaps remain between what many current or new residents can afford and the housing that is available. Children who grew up in the community are now facing the possibility that they may not be able to return to raise their own families locally. Long-term residents, especially the elderly, are finding themselves less able to maintain their homes and keep up with increased housing-related costs but are also hard-pressed to find alternative housing in the community that better meets their current lifestyles. Families are finding it more difficult to afford homeownership. City employees and employees of the local businesses continue to be challenged in locating housing that is affordable in Peabody. More housing options are required to meet these local needs.

3. HOUSING NEEDS ASSESSMENT

This Housing Needs Assessment presents an overview of current demographic and housing characteristics and trends for the City of Peabody, providing the context within which a responsive set of strategies can be developed to address identified housing needs and meet production goals.

3.1 Demographic Profile

It is important to closely examine social and economic characteristics, particularly past and future trends, in order to understand the composition of the population and how it relates to current and future housing needs. Key questions to be addressed include the following:

- What have been the historical growth trends in the community?
- What are the ramifications of increases and decreases of various age groups in regard to housing needs?
- What are the variations in household size and types of households that suggest unmet or greater housing needs?

These and other issues are discussed in the following section. In essence, major findings indicate that for the past several decades the population has continued to grow, from 47,039 in 1990 to 52,610 by 2017, with declines in younger residents and significant gains in older ones, as well as increases in smaller households. The population is projected to continue to grow to an estimated 55,091 residents by 2030 according to the Metropolitan Area Planning Council (MAPC), representing a 7.5% rate of growth since 2010. However, those over 65 are estimated to grow by 55% during this same period.

3.1.1 Population Growth – Slower recent population growth with significant projected increases

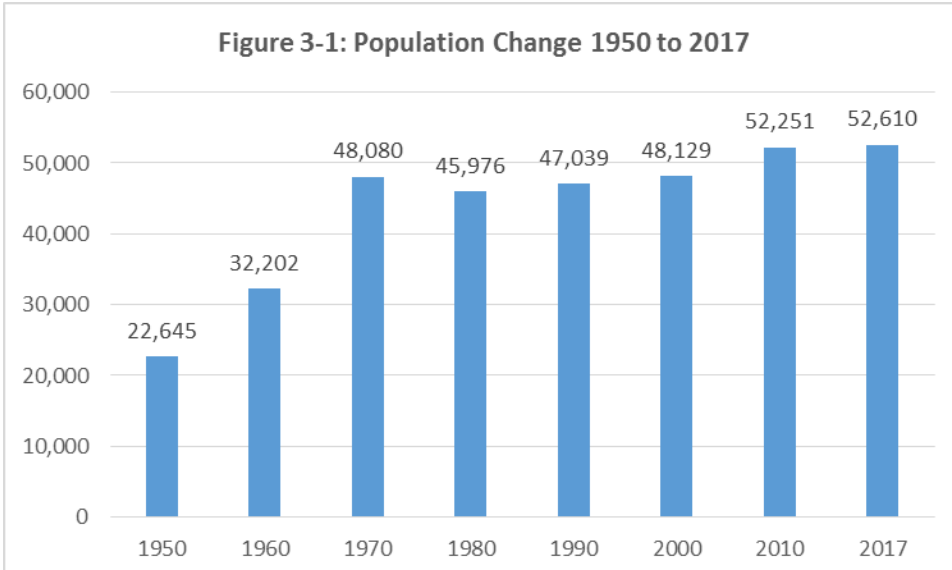
As noted in Table 3-1, Peabody's population grew very slowly from 1930 through 1950 then boomed between 1950 and 1970 when the population more than doubled in size, from 22,645 to 48,080 residents. The next decade saw a 4.6% decrease in population, but as shown in Figure 3-1, the population increased steadily but relatively more slowly after that with a total growth rate of 9.0% between 1990 and 2010 to 51,251 residents. Census estimates from the American Community Survey suggest a 2.7% increase after that to 52,610 residents in 2017. City records indicate a population of 52,474 as of October 2018, very close to the 2017 census estimate.

Table 3-1: Population Change, 1930 to 2017

Year	Total Population	Change in Number	Percentage Change
1930	21,345	--	--
1940	21,711	366	1.7%
1950	22,645	934	4.3%
1960	32,202	9,557	42.2%
1970	48,080	15,878	49.3%
1980	45,976	-2,104	-4.6%
1990	47,039	1,063	2.3%
2000	48,129	1,090	2.3%
2010	51,251	3,122	6.5%
2017	52,610	1,359	2.7%
City Records as of October 2018	52,474	-136	-0.3%

Source: U.S. Census Bureau, Census Summary File 1 and University of Massachusetts Donahue Institute State Data Center; 2013-2017 American Community Survey 5-Year Estimates, Peabody City Clerk's Office

Population projections from the Metropolitan Area Planning Council (MAPC), Peabody's regional planning agency, estimate that the population will continue to grow to 53,032 by 2020 and 55,091 by 2030, representing a 7.5% rate of growth since 2010. This is based on their more conservative growth scenario. The State Data Center at the University of Massachusetts' Donahue Institute projects higher growth to 57,487 residents by 2020 and 60,500 by 2030, reflecting an 18% growth rate since 2010.



3.1.2 Racial and Ethnic Composition – Small but growing minority and foreign-born population

Table 3-2 presents data on the racial distribution of the population in Peabody. While the number and percentage of minority residents have increased significantly – from 1,514 residents in 1990, to 4,933 by 2010, and 5,430 in 2017 – minority residents still comprise only about 10% of the population, half the level for Massachusetts and Essex County. A substantial portion of Peabody's residents claimed Latino or Hispanic heritage, increasing from 2.9% of the population in 1990 to 9.3% according to 2017 census estimates.

Table 3-2: Racial and Immigrant Information, 1990 to 2017

	1990		2000		2010		2017	
Affiliation	#	%	#	%	#	%	#	%
Minority pop.	1,514	3.2	2,925	6.1	4,933	9.6	5,430	10.3
Black or African American	570	1.2	466	1.0	1,206	2.4	1,776	3.4
Asian	509	1.1	667	1.4	956	1.9	722	1.4
Hispanic/ Latino **	1,346	2.9	1,651	3.4	3,212	6.3	4,919	9.3
Other ***	414	0.9	1,735	3.6	2,680	5.2	2,841	5.4
Foreign Born	5,353	11.4	5,411	11.2	6,670	13.2	8,281	15.7

Source: U.S. Census Bureau, Census 1990, 2000 and 2010 and American Community Survey 5-Year Estimates 2013-2017 *All non-White classifications
** Latino or Hispanic of any race. *** The "Other" category includes American Indian or Alaskan Natives, Native Hawaiians and other Pacific Islanders as well as those of two (2) or more races.

There has also been a substantial increase in foreign-born residents in recent years, from 11.4% of all residents in 1990 to 15.7% by 2017. These residents are split fairly evenly from coming from Europe and Latin America at 44.7% and 38.3%, respectively. It is also worth noting that almost half of all residents claimed Irish or Italian ancestry at 23.7% and 21.9%, respectively.

3.1.3 Age Distribution – Decreasing younger population but growing numbers of middle-aged and older residents

Census data regarding changes in the City's age distribution is provided in Table 3-3 from 1990 to 2017 and visually presented in Figure 3-2. In general, there were significant declines in the younger age categories and major gains in the older ones as summarized below and as demonstrated in the increase in median age from 36.1 years in 1990 to 44.3 in 2017.

Table 3-3: Age Distribution, 1990 to 2017

Age Range	1990		2000		2010		2017	
	#	%	#	%	#	%	#	%
Under 5 Years	2,993	6.4	2,805	5.8	2,493	4.9	3,026	5.8
5 – 17 Years	6,987	14.9	7,911	16.4	7,289	14.2	6,139	11.7
18 – 24 Years	4,432	9.4	2,962	6.2	3,742	7.3	4,898	9.3
25 – 34 Years	8,326	17.7	5,957	12.4	5,799	11.3	6,834	13.0
35 – 44 Years	7,033	15.0	8,207	17.1	6,583	12.8	5,829	11.1
45 – 54 Years	5,364	11.4	6,956	14.5	8,152	15.9	6,934	13.2
55 – 64 Years	5,248	11.2	4,933	10.2	6,673	13.0	7,962	15.1
65 – 74 Years	4,111	8.7	4,366	9.1	4,429	8.6	5,167	9.8
75 – 84 Years	1,935	4.1	3,052	6.3	3,963	7.7	3,286	6.2
85+ Years	609	1.3	980	2.0	2,128	4.2	2,535	4.8
Total	47,039	100.0	48,129	100.0	51,251	100.0	52,610	100.0
Under 18	9,980	21.2	10,716	22.3	9,782	19.1	9,165	17.4
Age 65+	6,655	14.1	8,398	17.4	10,520	20.5	10,988	20.9

Source: U.S. Census Bureau, Census 1990, 2000 and 2010 and American Community Survey 5-Year Estimates 2013-2017

Major demographic shifts included:

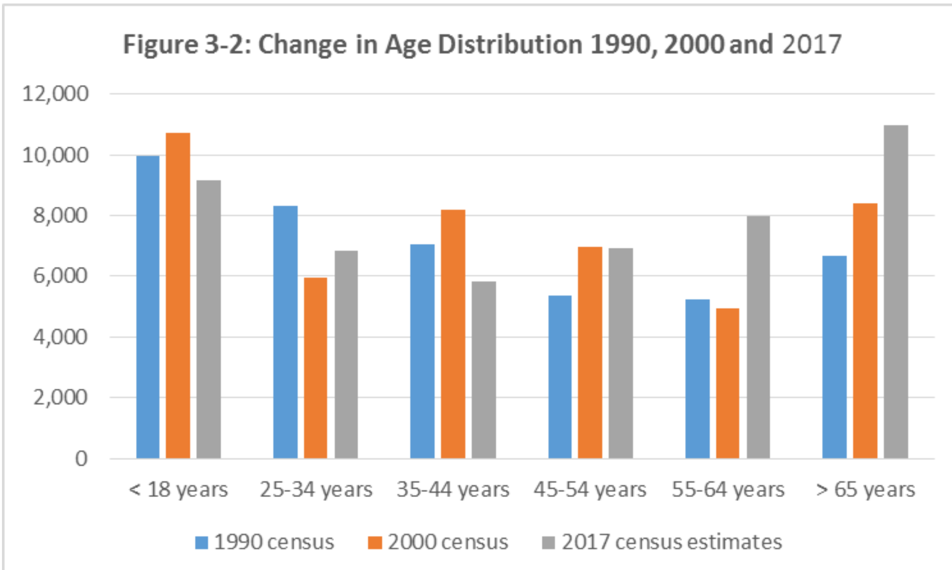
- *Declining population of children*
  The number and proportion of children under age 18 declined by 8.0% over the past several decades, from 21.2% of the population in 1990 to an estimated 17.4% by 2017, despite an overall increase of 11.8% in the total population.

- *Fluctuations in college-age residents*
  Young residents in the 18 to 24-age range decreased by 15.6% between 1990 and 2010, from 4,432 residents to 3,742. The 2017 census estimates suggest that this population surprisingly increased to 4,898 residents or 9.3% of the population, comparable to the 9.4% level in 1990.

- *Young adults demonstrated an 18% decline in population*
  Younger adults in the family formation stage of their lives, the 25 to 34-age range, decreased significantly between 1990 and 2010, dropping to 11.3% of the population in 2010 from 17.7% in 1990, and from 8,326 to 5,799 residents. The 2017 census estimates indicate a significant increase in this age group to 6,834 residents and 13% of the population.

- *Fluctuations in younger middle-age residents*
  Those age 35 to 44 increased between 1990 and 2000 to 8,207 residents or 17.1% of the population and then decreased in 2010 and further in 2017 to 6,583 and 5,829 residents, respectively, comprising 12.8% and 11.1% of all residents.

- *Increases in older middle-age residents*
  Those in the 45 to 64-age range, many of the baby boomer generation, increased from 22.6% of the population in 1990 to 28.9% by 2010. The 2017 census estimates suggest some decline in the 45 to 54 age group but continuing increases in those age 55 to 64. Part of the baby boom generation was spilling into the older age categories by 2010 as those in the age-55 to 64 range increased from 10.2% in 2000, to 13.0% by 2010, and up further to 15.1% by 2017.



- *Substantial upsurge in the population 65 years or older*
  The number of those 65 years of age and older grew by 58% between 1990 and 2010, from 6,655 to 10,520 residents, while the population as a whole increased by only 9.0%. Of particular note were the frail elderly of at least age 85 who increased by 249% during these decades. The 2017 census estimates suggest further increases of older adults to 10,988 residents and 20.9% of the population.

The baby boom generation will continue to drive the City's demographic composition over the next couple of decades in tandem with continuing losses of family households and children.

Table 3-4 offers population projections by age category for 2030, comparing population projections to 2010 census results. Two of these projections were prepared by the Metropolitan Area Planning Council (MAPC), Peabody's regional planning agency. The "*Status Quo"* projections assume a continuation of rates of births, deaths, migration and housing occupancy and estimate a population growth rate of 7.5%, or by 3,840 residents, by 2030 to 55,091 residents with continuing shifts in the age distribution. For example, those under the age of 20 are predicted to decrease from 21.1% to 17.7% of the total population, representing a 10% population loss of 1,094 residents.

The projections further suggest significant increases of those in the 35 to 44 range with modest decreases in the 25 to 34, 45 to 54, and 55 to 64 age categories.

These projected population changes suggest the need for housing alternatives to accommodate the increasing population of seniors, such as more handicapped accessibility, housing with supportive services, and units without substantial maintenance demands. Additionally, to maintain a diverse population, more affordable starter housing opportunities to attract young adults, including young families, should be promoted both as rentals and first-time homeownership.

Those over 65 are estimated to increase from 20.5% of all residents in 2010 to 29.5% by 2030, representing a gain of 5,741 residents in this older age category.

MAPC also provides *"Stronger Region"* projections based on the following assumptions:

- The region will attract and retain more people, especially young adults, than it does today;
- Younger households (born after 1980) will be more inclined toward urban living than their older counterparts and less likely to choose to live in single-family homes; and
- An increasing share of older adults will choose to downsize from single-family homes to apartments or condominiums.

These projections suggest an increase in total population to 57,337 residents by 2030, representing a growth rate of 12% between 2010 and 2030. The "Stronger Region" figures also estimate that those under age 20 will decline to 17.8% of the population, about the same level as the "Status Quo" estimates and still representing a net loss of 642 children in this age range from the 2010 census count. Besides children, there were some modest decreases in the 20 to 34 and 45 to 64 age groups with those age 35 to 44 predicted to increase somewhat during this period.

Table 3-4: Projected Age Distribution, 2010 Census and 2030 Projections

Age Range	2010 Census		MAPC Status Quo Projections		MAPC Stronger Region Projections		State Data Center 2030 Projections	
	#	%	#	%	#	%	#	%
Under 5 Years	2,493	4.9	2,503	4.5	2,633	4.6	2,598	4.3
5 – 19 Years	8,336	16.3	7,232	13.1	7,554	13.2	8,069	13.3
20 – 24 Years	2,695	5.3	2,015	3.7	2,141	3.7	2,214	3.7
25 – 34 Years	5,799	11.3	5,720	10.4	6,180	10.8	6,190	10.2
35 – 44 Years	6,583	12.8	7,758	14.1	8,336	14.5	7,884	13.0
45 – 54 Years	8,152	15.9	7,027	12.8	7,330	12.8	7,506	12.4
55 – 64 Years	6,673	13.0	6,575	11.9	6,730	11.7	7,217	11.9
65 – 74 Years	4,429	8.6	7,788	14.1	7,896	13.8	7,846	13.0
75 – 84 Years	3,963	7.7	5,433	9.9	5,441	9.5	6,141	10.2
85+ Years	2,128	4.2	3,040	5.5	3,096	5.4	4,835	8.0
Total	51,251	100.0	55,091	100.0	57,337	100.0	60,500	100.0
Under 20	10,829	21.1	9,735	17.7	10,187	17.8	10,667	17.6
Age 65+	10,520	20.5	16,261	29.5	16,433	28.7	18,822	31.1

Source: U.S. Census Bureau, 2010, Metropolitan Area Planning Council (MAPC) and State Data Center of the University of Massachusetts Donahue Institute

Under the "Stronger Region" estimates, those 65 years of age or older are estimated to grow to 16,433 residents by 2030, from 10,520 in 2010, to comprise almost 29% of all residents. This represents a growth rate of 56%.

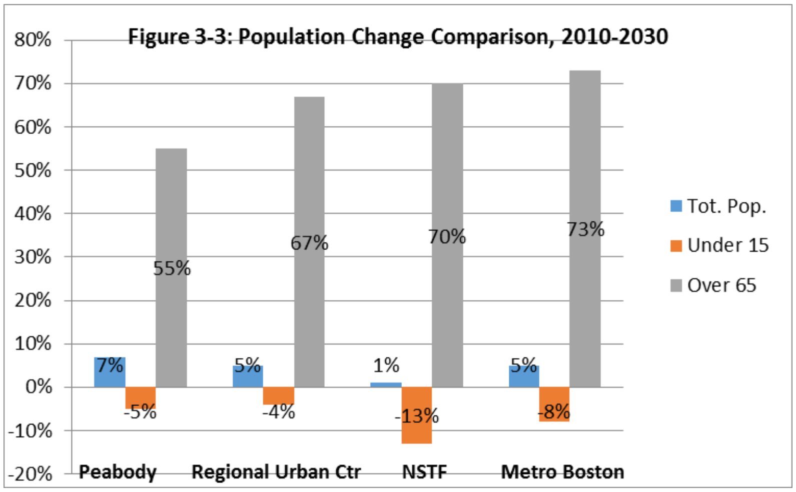


Figure 3-3: Population Change Comparison, 2010-2030

These projected demographic shifts are further presented in Figure 3-3, comparing projections for Peabody to other regional urban centers in the state, the North Shore Task Force subregion,[9] and Metro Boston from 2010 to 2030. Estimates suggest that Peabody will experience a somewhat higher increase in total population growth; less of a loss in children under 15 years of age compared to the North Shore subregion; and, while substantial, less of an increase in those over age 65. These projections are based on MAPC's "Status Quo" projections.

The *State Data Center* at the University of Massachusetts' Donahue Institute also prepares population projections as summarized in Table 3-4. These estimates indicate a population growth rate of 18% between 2010 and 2030 compared to 12% for the MAPC "Stronger Region" figures and 7.5% for the MAPC "Status Quo" projections. Like the MAPC estimates, the State Data Center figures also show a marked decline in children with all projections suggesting levels between 17.6% and 17.8% compared to 21.1% in 2010. On the other end of the age range, the State Data Center also projects major growth in residents age 65 or older but at a somewhat higher level of 31.1% as compared to below 30% under both MAPC scenarios. The age cohorts in between demonstrate some similarity to the MAPC "Stronger Region" estimates with lower projections of numbers in the 35 to 44 age range and higher numbers in the middle-age range of 45 to 64 years.

3.1.4 Household Composition – Increasing number of smaller households

As shown in Table 3-5, the number of households increased by 21.4% between 1990 and 2010, substantially more than the 9% overall population growth rate during the same period, which is correlated to the increasing number of smaller households including nonfamily households[10] that grew 71.4% during this period. The 2017 census estimates indicate that there was only about another 1% growth in households since 2010, with a decline of family households and significant increase in nonfamily ones.

The average household size decreased from 2.65 to 2.38 persons between 1990 and 2010, driven by decreases in the number of children and more "traditional" families, and increases in "child-free" and "child-delayed" families, especially increases in empty nesters as well as senior and frail populations.

[9] In addition to Peabody, MAPC's North Shore Task Force area includes the communities of Beverly, Danvers, Essex, Gloucester, Hamilton, Ipswich, Marblehead, Middleton, Nahant, Manchester, Rockport, Salem, Swampscott, Topsfield and Wenham.

[10] Includes individuals and unrelated household members, referred to by the U.S. Census Bureau as nonfamily households.

The 2017 census estimates suggest an increase of average household size to 2.42 persons which is surprising and may be questionable.

MAPC projections predict continued increases in the number of households to 24,754 by 2030 according to the "Status Quo" projections and 25,695 based on the "Stronger Region" scenario. These projections indicate more household growth than population growth at 16.1% and 20.6% based on "Status Quo" and "Stronger Region" scenarios, respectively, versus 7.0% and 11.9% for population growth, respectively.

Table 3-5: Household Characteristics, 1990 to 2017

	1990		2000		2010		2017	
	#	%	#	%	#	%	#	%
Total Households*	17,556	100.0	18,581	100.0	21,313	100.0	21,467	100.0
Family Households**	12,937	73.7	12,981	69.9	13,396	62.9	13,319	62.0
Non-family Households **	4,619	26.3	5,600	30.1	7,917	37.1	8,148	38.0
Female Headed Families with Children < 18 **	909	5.2	881	4.7	1,024	4.8	1,031	4.8
Average Household/ Family Size	2.65/3.13 persons		2.55/3.09 persons		2.38/3.02 persons		2.42/3.10 persons	

Source: U.S. Census Bureau, Census 1990, 2000 and 2010 and American Community Survey 5-Year Estimates 2013-2017 * Percent of total population ** Percent of all households

Table 3-6 examines the types of households by household size for 2000, 2010 and 2017, all from census sample data. Single-person households comprised a substantial portion of the population, 25.4% of all households and 84.3% of nonfamily households in 2000, increasing to 30.9% of all households and 84.9% of nonfamily households by 2010, and then up to almost one-third and 85%, respectively, in 2017. It should also be noted that based on 2017 census estimates, one-third of all residents over 65 lived alone. Moreover, 28% of the households with children were headed by one parent (79% of these involved single mothers). Large families of five (5) or more persons represented only 7% of all households, down from about 9% in 2000 and comparable to 9% for Essex County. *This data further suggests a need for a greater number of smaller units to accommodate a growing population of single-person households and smaller families.*

Table 3-6: Types of Households by Size, 2000 to 2017

Households by Type and Size	2000		2010		2017	
	#	%	#	%	#	%
Nonfamily households	**5,600**	**30.1**	**7,457**	**36.4**	**8,148**	**38.0**
1-person household	4,722	25.4	6,329	30.9	6,898	32.1
2-person household	752	4.0	1,067	5.2	1,122	5.2
3-person household	68	0.4	61	0.3	113	0.5
4-person household	40	0.2	0	0.0	0	0.0
5-person household	8	0.04	0	0.0	15	0.1
6-person household	3	0.02	0	0.0	0	0.0
7 or more person household	7	0.04	0	0.0	0	0.0
Family households	**12,981**	**69.9**	**13,057**	**63.6**	**13,319**	**62.0**
2-person household	5,247	28.2	5,230	25.5	5,944	27.7
3-person household	3,104	16.7	3,374	16.4	3,031	14.1
4-person household	2,972	16.0	3,081	15.0	2,881	13.4
5-person household	1,179	6.3	1,130	5.5	926	4.3
6-person household	347	1.9	121	0.6	345	1.6
7 or more person household	132	0.7	121	0.6	192	0.9
Total	**18,581**	**100.0**	**20,514**	**100.0**	**21,467**	**100.0**

Source: US Census Bureau, 2000 Census Summary File 3 and 2006-2010 and 2013-2017 American Community Survey 5-Year Estimates.

3.2 Economic Profile

This section examines income, employment, educational and disability data to address the following questions:

- What changes in income levels have occurred and how does this relate to housing affordability?
- Are there growing income disparities among residents?
- What are the trends toward educational attainment that can affect employment and housing opportunities?
- What are the trends involving school enrollment that might impact housing needs?
- What proportion of the population is disabled or has other special needs that limit their employment options and income?

In general incomes, educational attainment, and economic disparities have been increasing while school enrollment has been decreasing, reflecting demographic shifts towards fewer families and children.

3.2.1 Income Distribution – Largely rising incomes but significant income disparities

Table 3-7 presents income data from 1990 through 2017. This information is also visually presented in Figure 3-4. Incomes have increased substantially with the median income level increasing from $39,800 in 1990 to $64,679 in 2010, only slightly higher than the 2010 state median household income level of $63,961 at the time. The 2017 census estimates indicate some slight increase to $65,085 but still well behind the state median of $74,167. Increases in the median household income of 63.5% between 1990 and 2017 also lag behind the rate of inflation during this period of about 88%.

While many in the community continue to prosper, there are some who are struggling financially. For example, based on 2017 census estimates, about 5,700 households or 26.5% of all households earned less than $35,000.

This growing prosperity is also indicated in the increasing proportion and numbers of those earning more than $100,000 annually, going from 977 households or 5.6% of all households in 1990 to 6,759 and 31.5%, respectively, based on 2017 census estimates. Nevertheless, Peabody had a somewhat lower portion of these higher income earning households in comparison to the county and state with 36.2% and 37.3% levels, respectively.

Table 3-7: Income Distribution by Household, 1990 to 2017

Income Range	1990		2000		2010		2017	
	#	%	#	%	#	%	#	%
Under $10,000	1,860	10.6	1,280	6.9	1,203	5.9	1,109	5.2
10,000-24,999	3,375	19.3	2,608	14.0	2,519	12.3	2,884	13.4
25,000-34,999	2,358	13.5	2,061	11.1	1,812	8.8	1,703	7.9
35,000-49,999	3,501	20.0	2,409	13.0	2,453	12.0	2,353	11.0
50,000-74,999	3,745	21.4	4,023	21.7	4,510	22.0	4,046	18.8
75,000-99,999	1,659	9.5	2,939	15.8	2,946	14.4	2,613	12.2
100,000-149,999	827	4.7	2,391	12.9	2,877	14.0	3,868	18.0
150,000 +	150	0.9	867	4.7	2,194	10.7	2,891	13.5
Total	17,475	100.0	18,578	100.0	20,514	100.0	21,467	100.0
Median income	$39,800		$54,829		$64,679		$65,085	

Source: U.S. Census Bureau, Census 1990 and 2000 Summary File 3, and American Community Survey 2008-2010 and 2013-2017 5-Year Estimates.

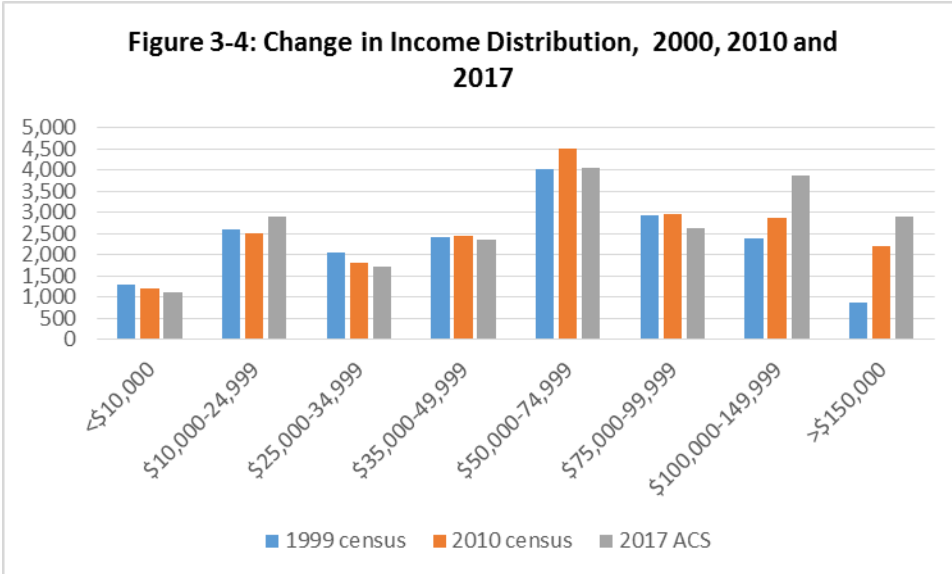


Table 3-8 provides median income levels for various types of households in 2017. Not surprisingly, incomes were highest for men, families, older middle-age households, and homeowners. The City's per capita income was $24,827 in 2000 and increased to $35,163 by 2017, somewhat lower than the county and state averages of $38,604 and $39,913, respectively.

The median income of families was substantially higher than nonfamilies, $85,700 versus $42,286, a finding highly correlated with the greater prevalence of two worker households in families. Related to the lower median incomes of individuals and nonfamily member households was the 2017 estimate that 44.6% of these households were renters as opposed to 24.3% of married couples with children.

Moreover, the median income of seniors 65 years of age or older was $44,046, about half of the median for households with heads in the 45 to 64 age range, largely in the prime of their working lives and earning potential.

Table 3-8: Median Income by Household Type, 2017

Type of Household/Householder	Median Income
Individual/Per capita	$35,163
Households	$65,085
Families	$85,700
Nonfamilies*	$42,286
Male full-time workers	$58,624
Female full-time workers	$46,364
Renters	$39,912
Homeowners	$86,644
Householder less than age 25	$26,167
Householder age 25 to 44	$77,260
Householder age 45 to 64	$86,772
Householder age 65 or more	$44,046
Veterans	$40,702

Source: U.S. Census Bureau, American Community Survey 5-Year Estimates for 2013-2017.
*Includes persons living alone and unrelated household members.

Additionally, 8,216 or 38.3% of households were obtaining Social Security benefits with an average benefit of $18,446. Another 4,998 households received some other retirement income representing an average of $25,664 in income. There were 775 recipients of public assistance, averaging only $4,062, and 2,698 households were receiving Food Stamps/SNAP benefits.

A comparison of 2010 and 2017 incomes for owners and renters is provided in Table 3-9. Besides income disparities related to age, there are growing disparities related to tenure. For example, almost half of renters earned less than $35,000 compared to only 16.2% of homeowners. The disparity of incomes from renters and homeowners is clearly demonstrated by median income levels of $36,419 and $76,158, respectively.

Almost one-fifth of all households earned less than $25,000, including almost one-third of all renters but only 11.4% of owner households. While the median income of owners is estimated to have increased by 13.8% between 2010 and 2017, that of renters increased by only 9.6%. Income disparities are also evident in that 10.3% of renters were earning $100,000 or more, likely renting single-family houses, while 42.6% of owners were included in this income category growing from 32.7% in 2010.

Table 3-9: Income Distribution by Owner and Renter Households, 2010 and 2017

Income Range	Homeowners				Renters			
	2010		2017		2010		2017	
	#	%	#	%	#	%	#	%
Under $10,000	352	2.6	361	2.6	851	12.3	748	9.8
10,000-24,999	1,038	7.6	1,224	8.8	1,481	21.5	1,660	21.8
25,000-34,999	822	6.0	699	5.0	990	14.3	1,004	13.2
35,000-49,999	1,441	10.6	1,240	9.0	1,012	14.7	1,113	14.6
50,000-74,999	3,083	22.7	2,466	17.8	1,427	20.7	1,580	20.8
75,000-99,999	2,426	17.8	1,963	14.2	520	7.5	650	8.5
100,000-149,999	2,448	18.0	3,208	23.2	429	6.2	660	8.7
150,000 +	2,000	14.7	2,693	19.4	194	2.8	198	2.6
Total	13,610	100.0	13,854	100.0	6,904	100.0	7,613	100.0
Median income	$76,158		$86,644		$36,419		$39,912	

Source: U.S. Census Bureau, 2008-2010 and 2013-2017 American Community Survey 5-Year Estimates

3.2.2 Poverty Status – Some increases in poverty, particularly for children

Table 3-10 shows that between 1989 and 2010, those living in poverty declined with the exception of seniors.[11] The 2017 census estimates suggest a reversal of this trend to a doubling of those in poverty to 5,156 individuals and almost 10% of the population, which is surprising and may be questionable. This level of poverty is still lower than those for Essex County and the state as a whole where 10.9% and 11.1% of the population lived below the poverty line, respectively. The 2017 census estimates also indicate increases in the levels of poverty for families, especially children, growing from 137 children in 2010 to 1,613 in 2017 to include 17.6% of all residents under the age of 18. On the other hand, poverty among seniors 65 years or older decreased from 1,031 individuals in 2010 to 780 in 2017, representing 7.1% of all such older residents.

[11] The federal poverty levels for 2018 were $12,140 for a single individual and $20,780 for a family of three (3).

Table 3-10: Poverty Status, 1989 to 2017

Individuals or Households	1989		1999		2010		2017	
	#	%	#	%	#	%	#	%
Individuals *	2,140	4.6	2,531	5.3	2,511	4.9	5,156	9.8
Families **	493	3.8	481	3.7	442	3.3	999	7.5
Related Children Under 18 Years***	463	4.7	567	5.4	137	1.4	1,613	17.6
Individuals 65 and Over****	588	9.3	586	7.4	1,031	9.8	780	7.1

Source: U.S. Census Bureau, Census 1980, 1990 and 2000 Summary File 3 and American Community Survey 2008-2010, 2013-2017 5-Year Estimates.

3.2.3 Employment – Diverse and growing workforce

Peabody has had a relatively strong and diverse economic base, largely the result of its pivotal location as a gateway to the North Shore at the intersection of major highways. Key to the City's economic strategy was the development of two major industrial parks, the 100-acre Peabody Industrial Park and 307-acre Centennial Park. There are also several other pockets of industrial development. Peabody is also a commercial center, home to the North Shore Mall, a thriving downtown and a dense commercial corridor along Route 114.

Of the 44,548 Peabody residents over the age of 16, 29,395 or about two-thirds were in the labor market and of these 27,806 were employed according to 2017 census estimates. This data also indicated that 7,208 residents or 26% worked in the community. It should also be noted that 81% of workers drove alone to work (down from 85% in 2010), another 7.9% carpooled (up from 7.5% in 2010) and 3.6% used public transportation (up from 2.3%). The average commuting time was 26.5 minutes, suggesting employment opportunities were typically located either in Peabody or nearby on the North Shore.

The 2017 census estimates also provide information on the concentration of Peabody workers by industry, indicating that 37.3% of Peabody's workers were involved in management or professional occupations and the remainder employed in the lesser paying retail and service-oriented jobs that support the local economy including sales and office occupations (25.8%), service occupations (20.3%), production and transportation (9.6%), and construction (7.0%). An estimated 83.3% of Peabody's labor force involved private salaried or wage workers, another 11.7% were government workers, and 4.9% were self-employed.

Detailed labor and workforce data from the state on employment patterns in Peabody is presented in Table 3-11. This information shows a growing economic base with an increase in average employment from 23,577 employed workers in 2010 to 24,453 in 2017 as well as an increase in the number of establishments from 1,488 to 1,677 during this same period. The average weekly wage also increased from $875 to $995, reflecting annual wages of $45,675 to $51,939. This wage level is significantly lower than Boston's at $1,878 per week or $98,032 annually. Also, in comparison, Beverly's average weekly wage was $1,256 with Salem at $977 for example.

This data also confirms a mix of employment with some notable growth in the construction as well as technical or professional services sectors. Of particular note is the increase in establishments and jobs in the health care and social services industries. There were also significant job losses in manufacturing and wholesale trade and the elimination of any agricultural or fishing jobs.

Table 3-11: Average Employment and Wages by Industry, 2010/2017

Industry	# Establishments	Total Wages	Average Employment	Average Weekly Wage
Agriculture, Forestry, Fishing, etc.	5/0	$843,000/0	20/0	$811/0
Construction	149/187	$33,526,955 /$61,749,798	609/939	$1,059/$1,265
Manufacturing	83/79	$204,186,870/ $182,407,780	2,646/2,217	$1,485/$1,582
Wholesale Trade	86/76	$123,072,794/ $79,033,807	1,409/907	$1,680/$1,676
Retail Trade	259/285	$128,806,864/ $173,382,616	4,959/5,134	$500/$649
Transportation/Warehousing	49/52	$38,029,691/ $44,368,930	708/736	$1,033/$1,159
Information	26/28	$19,266,217/ $13,826,067	340/217	$1,090/$1,225
Finance/Insurance	67/66	$35,749,025/ $52,970,837	508/538	$1,353/$1,893
Real estate/rental/leasing	38/33	$12,761,218/ $14,894,640	309/283	$794/$1,012
Professional/technical services	127/130	$70,012,717/ $91,910,662	1,033/1,159	$1,303/$1,525
Management of companies/enterprises	10/7	$23,014,364/ $28,963,187	319/266	$1,387/$2,094
Administrative and waste services	82/84	$38,904,064/ $49,606,443	1,012/1,002	$739/$952
Health care/social assistance	136/319	$202,636,369/ $267,864,762	4,175/5,097	$933/$1,011
Arts/entertainment/recreation	8/12	$4,811,752/ $7,254,311	272/403	$340/$346
Accommodation/food services	122/139	$51,193,018/ $67,894,810	2,616/2,862	$376/$456
Other services	214/146	$22,351,407/ $29,663,418	972/945	$442/$604
Total	**1,488/1,677**	**$1,072,632,502/ $1,264,593,924**	**23,577/24,453**	**$875/$995**

Source: Massachusetts Executive Office of Labor and Workforce Development, December 2017. Shaded areas involve industries with average employments of more than 1,000 workers.

Based on state data from the Department of Labor and Workforce Development, Peabody had an unemployment rate of 2.8% as of October 2018, down considerably from 6.1% in October 2011, and 7.4% a year before. This rate was relatively comparable to Boston's at 2.7% and lower than Salem's at 3.1%. Beverly's rate was lower than Peabody's at 2.5%.

3.2.4 Education – Lower but increasing educational attainment and declining school enrollment

The educational attainment of Peabody residents has improved over the last couple of decades. In 2010, 89.9% of those 25 years and older had a high school diploma or higher and 30.7% had a bachelor's degree or higher, about the same as reported in 2017, and somewhat lower than 38.8% for the county and 42.1% for the state with a college degree in 2017. These figures are still up significantly from the

2000 figures of 85.1% with at least a high school degree and 23.1% with a college degree or higher and demonstrate some educational improvements that in general would make residents more competitive in the job market.

Those three years or older and enrolled in school (nursery through graduate school) in 2017 totaled 10,405 residents and 19.8% of the population, down from 11,548 residents or 22.5% in 2010. Those enrolled in kindergarten through high school totaled 6,509 students, again down from 7,783 in 2010.

The Peabody Public Schools reported an enrollment of 5,911 students in the 2018-2019 school year, down from 6,075 students in 2010-2011, and down even more markedly from an enrollment of 6,642 in 2000-2001. These declining enrollments are a natural reflection of the city's demographic trend towards a steadily aging population, smaller households, and fewer families and children.

3.2.5 Disability Status[12] – Significant special needs

Of all Peabody residents in 2010, 7,292 or 14.2% claimed a disability, which increased to 15.1% by 2017, high in comparison to the statewide percentage of 11% and 11.6% in 2010 and 2017, respectively. While the number and percentages of those 65 years of age or older who claimed a disability decreased from 42.5% to 38.6% between 2010 and 2017, the level of disability for those age 18 to 64 increased significantly from 2,756 individuals to 3,465 during this period. It should also be noted that the projected increase in older residents, predicted to grow from about 20% of the population in 2010 to 30% in 2030, will likely increase the level of special needs in the community.

This data indicates that there are significant special needs within the Peabody community and suggests that the City make a concerted effort to produce special needs housing, including units that are handicapped accessible and/or have supportive services.

Table 3-12: Population Five Years and Over with Disabilities for Peabody and the State, 2010 and 2017

Age	Peabody				Massachusetts			
	2010		2017		2010		2017	
	#	%	#	%	#	%	#	%
Under 18 years	320	3.2	324	3.5	63,718	4.5	61,659	4.5
18 to 64 years	2,756	9.1	3,465	10.7	365,191	8.8	389,450	9.0
65 years and over	4,216	42.5	4,091	38.6	288,346	34.0	330,631	32.7
Total	7,292	14.2% of total pop	7,880	15.1% of total pop	717,255	11.0% of total pop	781,740	11.6% of total pop

Source: U.S. Census Bureau, 2008-2010 and 2013-2017 American Community Survey 5-Year Estimates

Additional information on Peabody's disabled population is presented in Table 3-13. This information shows that 5,350 disabled households had some type of housing problem whether they were spending more than 30% of their income on housing, lacked complete kitchen or plumbing facilities, or lived in overcrowded conditions (more than one person per room). Of these, households were relatively evenly split between owners and renters, although based on the total housing stock there is a 65% to 35% ownership to rental split. This data also shows that there is some positive relationship between having a

[12] Disabled households contain at least one or more persons with a mobility or self-care limitation. It should also be noted that the term "disabled" is being replaced by some within the housing community with "people first" terminology as those with special needs are interpreted to be the people first who need affordable, available and/or accessible housing.

lower income and housing problems as well as a disability. Additionally, there were generally more households with these issues who were renters rather than owners.

Table 3-13: Income and Tenure of Disabled with Housing Problems

Type of Disability With Housing Problems	< = 30% AMI		30.1% - 50% AMI		50.1% - 80% AMI		Total <= 80% AMI		Total
	Own	**Rent**	**Own**	**Rent**	**Own**	**Rent**	**Own**	**Rent**	**All**
Hearing/vision	300	285	90	240	95	85	45	0	1,140
Ambulatory	515	460	210	150	150	105	60	35	1,685
Cognitive	205	405	100	175	45	110	60	25	1,125
Self-care Problem	425	375	165	115	65	115	80	60	1,400
Total Disabled	*1,445*	*1,525*	*565*	*680*	*355*	*415*	*245*	*130*	*5,350*
Not Disabled	*635*	*970*	*620*	*695*	*510*	*740*	*1,265*	*65*	*5,500*
Total	**2,080**	**2,495**	**1,185**	**1,375**	**865**	**1,155**	**1,510**	**195**	**10,850**

Source: U S Department of Housing and Urban Development (HUD), SOCDS CHAS Data, American Community Survey, 2015.

Additional information on the types of disabilities for local seniors is summarized in Table 3-14, comparing Peabody estimates to those of the state based on Tufts Health Plan Foundation's Healthy Aging Community Profile. Compared to the state, those 65 years and older who live in Peabody do worse on most of the disability levels. The report further indicates that older residents are less likely to do physical activity than in other communities. Local resources for promoting the health of older residents include the Council on Aging, the YMCA, a memory café, and the City's Recreation Department which will all become increasingly important as many residents continue to age. The report also acknowledges that Peabody is a designated Age-Friendly Community.

Table 3-14: Types of Disabilities, Percentage 65 Years of Age and Older

Population Characteristics	Peabody Estimates	State Estimates
Self-reported hearing difficulty	16.9%	14.2%
Clinical diagnosis of deafness or hearing impairment	17.9%	16.1%
Self-reported vision difficulty	8.5%	5.8%
Clinical diagnosis of blindness or vision difficulty	1.8%	1.5%
Self-reported cognition difficulty	8.2%	8.3%
Self-reported ambulatory difficulty	23.0%	20.2%
Clinical diagnosis of mobility impairments	4.3%	3.9%
Self-reported self-care difficulty	7.0%	7.9%
Self-reported independent living difficulty	16.6%	14.3%

Source: Tufts Health Plan Foundation, updated in 2018

3.3 Housing Profile

This section of the Housing Needs Assessment summarizes housing characteristics and trends, analyzes the housing market from a number of different data sources and perspectives, compares what housing is available to what residents can afford, summarizes what units are defined as affordable by the state, and establishes the context for identifying priority housing needs.

3.3.1 Housing Growth – Increasing housing growth since the recession

Table 3-15 indicates that more than one-fifth of Peabody's housing stock, 21.8% or 4,920 units, predates World War II. After a slow building period right after the war, Peabody experienced a building boom with almost 37% of its existing housing units built between 1940 and 1970. This relates to the population boom that occurred during this same period when the population more than doubled in size.

There were 4,655 new housing units created between 1990 and 2009, representing an overall growth rate of more than 20%, which was considerably higher than the overall population growth of 9% during that same period. This is likely due to the increasing number of smaller households that have been forming over the past couple of decades. Since 2010, this census data counts only 71 new units added to the housing stock, however, building permit data summarized in Table 3-16 suggests that 160 units were built instead.

Table 3-15: Housing Units by Year Structure Was Built

Time Period	#	%
2010 or later	71	0.3
2000 to 2009	2,601	11.5
1990 to 1999	2,054	9.1
1980 to 1989	2,295	10.2
1970 to 1979	2,326	10.3
1960 to 1969	3,340	14.8
1950 to 1959	3,617	16.1
1940 to 1949	1,306	5.8
1939 or earlier	4,920	21.8
Total	22,530	100.0

Source: US Census Bureau, 2013-2017 American Community Survey 5-Year Estimates

The building permit data in Table 3-16 suggests that residential building activity has largely increased in recent years from lows of nine and eleven units in 2012 and 2013, respectively, to 41 units in 2017. This likely demonstrates some recovery from the "bursting of the housing bubble" that happened several years before. The estimated costs of development have also increased ranging from an average cost per unit of $164,091 in 2013 to a high of $298,368 in 2018.

MAPC's projections suggest an increase to 24,223 and 25,932 units by 2020 and 2030, respectively, which would translate into a growth rate of 9.0% and 16.7%, respectively, since 2010. Such projections are likely high given past rates of development according to building permit activity with only 226 units produced between 2010 and 2018.

Based on projected growth through about March 2020, when the census figures are typically compiled, that is informed by building permit activity and pipeline development, it is likely that the year-round housing figure will increase from 22,135 units to no more than about 23,000 units, which would suggest an increase in the annual housing production goal to about 115 units per year. It would also result in the City coming very close to the 10% affordability goal, at about 9.9%, assuming no further fall-off of expiring use units and the development of the potential projects listed under Section 3.3.

Table 3-16: Residential Building Permits for Single-family Homes, 2010 through 2018

Year	# New Units	Total Valuation	Average Valuation/Unit
2010	19	$3,727,000	$196,158
2011	17	$2,843,000	$167,235
2012	9	$2,393,000	$265,889
2013	11	$1,805,000	$164,091
2014	15	$2,889,000	$192,600
2015	25	$4,995,000	$199,800
2016	29 Terrace Estates Shore Dr. 35 units	$6,336,400 $5,901,875	$218,497 $168,625
Subtotal	*160*	*$30,890,275*	*$193,064*
2017	41	$11,686,840	$285,045
2018	25	$7,459,190	$298,368
Total	**226**	**$50,036,531**	**$221,401**

Source: Peabody Building Department and Department of Community Development and Planning

3.3.2 Housing Occupancy – Continuing increases in rental units

Table 3-17 includes a summary of housing characteristics based on actual decennial housing counts from 1990 through 2010 and updated census estimates from the 2017 American Community Survey. Of the 22,220 total housing units in 2010, Peabody had 22,135 year-round units[13] of which 21,313 or 95.9% were occupied. Of the occupied units, 13,988 or 65.5% were owner-occupied and the remaining 7,325 units or 34.4% were renter-occupied. These figures represent only a slightly higher level of owner-occupancy to that of Essex County as a whole, where 63.8% of the units were owner-occupied, and the state as well with a 62.4% level of owner-occupancy.

Peabody experienced an increase of 2,408 rental units in comparison to 1,503 owner-occupied units between 1990 and 2017, which has helped diversify the housing stock and serve a wider range of local housing needs.

The 2017 census estimates suggest that 310 units were built between 2010 and 2017, much higher than the number of units that were permitted in this timeframe as summarized in Table 3-16. These estimates also indicate that there was a loss of 134 owner-occupied units and a gain of 288 rentals. This represents a continuation of past trends towards increases in rental units. For example Peabody experienced a modest increase of 149 rental units between 1990 and 2000, and then another 1,971 rental units from 2000 to 2010. A substantial portion of the new rentals were developed at Brooksby Village, a continuing care retirement community involving 1,352 independent and assisted living units as well as a skilled nursing facility. Additional units were built at the Highlands at Dearborn, Avalon of Cranebrook and Terrace Estates projects, the latter two including affordable units through the Chapter 40B comprehensive permit process.

[13] The year-round figure is the one used under Chapter 40B for determining the 10% affordability goal and annual housing production goals. It is calculated by subtracting the seasonal or occasional units (85) from the total number of units (22,220).

The percentage of Peabody's rental stock has also grown from less than 30% in 1990 and 2000 to 34.4% and 35.5% in 2010 and 2017, respectively. This level is still a bit lower than the 36.2% and 37.6% levels for Essex County and state, respectively.

There have also been overall decreases in the average number of persons per unit. Average household size continues to drop, and consequently new housing units do not necessarily translate into substantially more people. The average number of persons per unit declined between 1990 and 2010, from 2.87 persons to 2.59 persons for owner-occupied units and from 2.13 to 1.97 persons for rental units. This decrease reflects local, regional and national trends towards smaller households and relates to the change in the average household size in Peabody from 2.65 persons in 1990 to 2.36 by 2010.

The 2017 census estimates suggest some modest increases in these average household sizes, up to 2.61 and 2.10 persons for owner-occupied and renter-occupied units, respectively, also in line with a slight increase in average household size to 2.42 persons.

Table 3-17: Housing Occupancy Characteristics, 1990 to 2017

Housing Characteristics	1990		2000		2010		2017	
	#	%	#	%	#	%	#	%
Total # Housing Units	18,240	100.0	18,898	100.0	22,220	100.0	22,530	100.0
Occupied Units *	17,556	96.3	18,581	98.3	21,313	95.9	21,467	95.3
Occupied Owner Units **	12,351	70.4	13,227	71.2	13,988	65.6	13,854	64.5
Occupied Renter Units **	5,205	29.6	5,354	28.8	7,325	34.4	7,613	35.5
Total Vacant Units/ Seasonal, Rec. or Occasional Use*	684/34	3.8/0.2	317/60	1.7/0.3	907/85	4.1/0.4	1,063/100	4.7/0.4
Average House-Hold Size/Owner Occupied Unit	2.87 persons		2.75 persons		2.59 persons		2.61 persons	
Average House-Hold Size/Renter Occupied Unit	2.13 persons		2.06 persons		1.97 persons		2.10 persons	

Source: U.S. Census Bureau, Census 1990, 2000 and 2010 Summary File 1 and American Community Survey 2013-2017 5-Year Estimates * Percentage of all housing units ** Percentage of occupied housing units

Another important trend in Peabody's occupancy patterns are the *very low vacancy rates*. The vacancy rate was only 1.0% for ownership and a bit higher for rentals at 5.1%, but according to census estimates the homeownership rate has remained about the same and the rental rate has declined to less than 1.0%. As any rate below 5% reflects tight housing market conditions, this information confirms a continuing strong housing market. The rental vacancy rate was considerably lower than state and national rates with the homeownership rate comparable to the state as shown in Table 3-18.

Table 3-18: Vacancy Rates by Tenure, 2000 and 2010

Tenure	2000	2010	2017	MA 2010/2017	Nation 2010/2017
Renter	1.7%	5.1%	0.9%	6.5%/4.0%	9.2%/6.1%
Homeowner	0.3%	1.0%	1.1%	1.5%/1.1%	2.4%/1.7%

Source: US Census Bureau, 2000 and 2010 and American Community Survey 5-Year Estimates

3.3.3 Types of Structures and Units – Significant and increasing diversity of housing types

There continues to be significant diversity in Peabody's existing housing stock as summarized in Table 3-19 and Figure 3-5, including significant increases in the larger multi-family housing stock. Single-family detached homes comprise about half of all units, down from a high of 58% in 2000. The number of single-family attached units, largely duplex condominiums, increased between 1990 and 2010 but has decreased somewhat based on 2017 estimates to 5.2% of the housing stock.

The number of two to four-unit structures stayed about the same from 1990 to 2010, at about 3,300 units, but declined in proportion to total housing units from 18.1% to 15.5% by 2010 despite a housing growth rate of 14.1%. The 2017 census estimates suggest a modest decline in two-family homes but a significant increase in three to four-family dwellings. This inventory of small, multi-family homes represents a valuable segment of the city's existing housing stock. Many of these units are probably more affordable, as private landlords, particularly owner-occupied ones, tend to value good tenants and frequently maintain rents at below market to keep them. In addition to providing somewhat more affordable private rentals, these properties offer affordable homeownership stock as well since such owners benefit from rental income that helps them finance the property. Lenders typically count about 75% of the rental income towards mortgage underwriting calculations thus allowing a lower income homeowner to purchase a home. *Thus, small multi-family homes have offered important starter housing in many communities, cities in particular.*

While there was a drop in the mid-size structures of five to nine units, from 875 units in 1990 to 743 units by 2010, the 2017 estimates indicate some more recent growth to 1,249 units. On the other hand, *units in larger multi-family structures of ten or more units increased substantially, more than doubling in number* between 2000 and 2010 alone, from 2,024 units to 4,976 based largely on several sizable developments including Brooksby Village, the Highlands project, and Avalon of Cranebrook. Surprisingly, the 2017 figures indicate some loss of these units to 4,726 units which is inaccurate.

The number of units in the "other" category, which includes mobile homes, RV's, houseboats, etc., also decreased significantly according to census figures, from 1,066 units in 1990 to 590 by 2010, and then up only to 604 by 2017 with a net loss of 452 units. Most of these units were mobile homes, decreasing to 540 by 2010, representing 93.2% of the units in the "other" category. The 2017 census estimates indicate a small increase to 586 total mobile homes. City records refute these figures as, according to the Peabody Health Department, **there are 742 mobile homes in Peabody**. The Health Department requires the annual reporting of each mobile home and are consequently accurate. Mobile homes continue to be a significant and relatively affordable segment of Peabody's housing stock.

Table 3-19: Units by Type of Structure, 1990 to 2010

Type of Structure	1990		2000		2010		2017	
	#	%	#	%	#	%	#	%
1- unit detached	10,203	55.9	10,959	58.0	10,434	49.0	11,316	50.2
1- unit attached	772	4.2	901	4.8	1,235	5.8	1,169	5.2
2 units	3,300	18.1	1,696	9.0	1,856	8.7	1,784	7.9
3 to 4 units			1,600	8.5	1,446	6.8	1,682	7.5
5 to 9 units	875	4.8	809	4.3	743	3.5	1,249	5.5
10+ units	2,024	11.1	2,156	11.4	4,976	23.4	4,726	20.9
Other*	1,066	5.8	777	4.1	590	2.8	604	2.7
Total	18,240	100.0	18,898	100.0	21,280	100.0	22,530	100.0

Source: U.S. Census Bureau, Census 1990 and 2000 Summary File 3; 2010 data from the 2008-2010 and 2013-2017 American Community Survey 5-Year Estimates *Includes mobile homes, boats, vans, RV's, and mobile homes.

Figure 3-5: Distribution of Units Per Structure, 2017

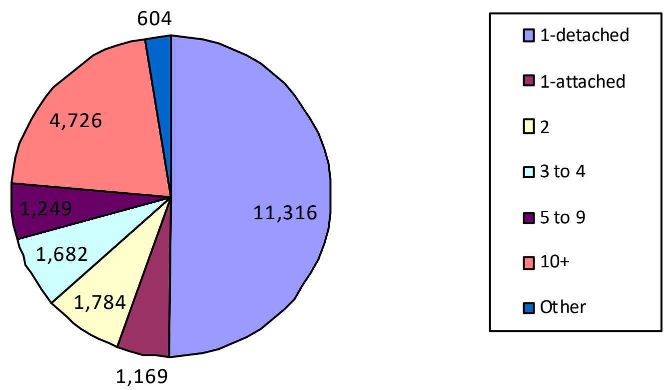


Table 3-16 provides a comparative breakdown of the 2010 and 2017 distributions of units per structure according to whether the units were occupied by renters or homeowners. While 81% of owners resided in single-family homes, about 86% of renters lived in multi-family units of two or more units. It is interesting to note that 12.0% of the single-family homes were renter-occupied compared to a higher level of 15.2% statewide, and up from 8.0% in 2010 for Peabody.

Table 3-16: Units by Type of Structure and Tenure, 2010/2017

Type of Structure	Homeowner Units		Renter Units	
	#	%	#	%
Single unit detached and attached	10,936/11,283	80.4/81.4	555/912	8.0/12.0
2 to 9 units	1,114/985	8.2/7.1	2,665/3,437	38.6/45.1
10+ units	1,155/1,199	8.5/8.7	3,567/3,081	51.7/40.5
Other/mobile homes	405/387	3.0/2.8	117/183	1.7/2.4
Total	13,610/13,854	100.0	6,904/7,613	100.0

Source: U.S. Census Bureau, 2008-2010 and 2013-2017 American Community Survey

Table 3-17 provides information on the distribution of unit sizes and indicates that the median-sized unit included 5.4 rooms according to 2017 census estimates, or with about three bedrooms and only modestly lower than the county and state medians of 5.7 and 5.5 rooms, respectively. In addition, those units that might be determined to be most appropriate for single persons, with four rooms or less, comprised about 35% of the housing stock in 2017, higher than the 26.5% level in 2000 and related to the construction of rental housing. Given that almost two-thirds of Peabody's households included single individuals or two persons, a substantial portion of households might be considered "over housed." On the other end of the spectrum, about 20% of housing units included eight rooms or more, comparable to the statewide level.

Table 3-17: Number of Rooms per Unit, 2010 and 2017

Number of Rooms per Unit	2010		2017	
	#	%	#	%
1 Room	319	1.5	562	2.5
2 Rooms	586	2.8	765	3.4
3 Rooms	2,276	10.7	2,507	11.1
4 Rooms	3,882	18.3	4,060	18.0
5 Rooms	3,449	16.2	3,876	17.2
6 Rooms	3,605	17.0	37,58	16.7
7 Rooms	2,903	13.7	2,515	11.2
8 Rooms	1,955	9.2	2,098	9.3
9 or More Rooms	2,253	10.6	2,389	10.6
Total	21,229	100.0	22,530	100.0
Median (Rooms) for All Units	5.5 rooms		5.4 rooms	

Source: U.S. Census Bureau, 2000, Summary File 3, and the 2013-2017 American Community Survey 5-Year Estimates

It should also be noted that there is only very limited reported overcrowding in Peabody as 2017 census estimates indicated that there were 299 units with more than one occupant per room, the traditional definition. Nevertheless, overcrowding often goes under-reported, particularly in situations where individuals and families are become doubled up with families and friends.

3.3.4 Housing Market Conditions – Housing costs remain high

The following analysis of the housing market looks at past and present values of homeownership and rental housing from a number of data sources including:

- The 1990, 2000 and 2010 Decennial U.S. Census figures
- The U.S. Census Bureau's 2009 American Community Survey for data that has not yet been released through the 2010 ACS as well as the 2013-2017 American Community Survey 5-Year Estimates
- The Warren Group's median income statistics and sales volume by year, from 2000 through November 2018
- Multiple Listing Service data
- City Assessor's data
- Internet Listings

Homeownership

Census data also provides information on housing values as summarized in Table 3-19 for homeownership units. The 2008-2010 American Community Survey estimates indicated that the 2010 median house value was $350,000, up about 62% from the median in 2000 of $215,900, and almost doubling since 1990 when the median was only $177,100. The 2017 census estimates provide a median of $356,200, significantly lower than The Warren Group figure of $401,000 in 2017.

As Table 3-19 further indicates, there were 612 units valued at less than $100,000 in 2010, comprising 4.5% of the owner-occupied housing stock; and another 421 units, or 3.1% of the housing stock, were valued between $100,000 and $200,000. By 2017, the number and percentage of homes valued below $200,000 increased modestly from 1,033 units or 7.6% to 1,132 units and 8.2%. Nevertheless, this data still demonstrates that very little of the city's housing units were relatively affordable.

On the other end of the price range, 1,258 units, or 9.2% of the housing stock, were priced at $500,000 or more in 2010, clearly in the high-end of the market. The 2017 estimates suggest significant increases in this higher-end market to 1,947 units and 14.1% of all owner-occupied units. The majority of units, 62.5% and 57.6%, were valued between $300,000 and $500,000 in 2010 and 2017, respectively.

Table 3-19: Housing Values of Owner-occupied Properties, 1990 to 2017

	1990		2000		2010		2017	
Price Range	**#**	**%**	**#**	**%**	**#**	**%**	**#**	**%**
Less than $50,000	36	0.4	70	0.6	464	3.4	353	2.5
$50,000 to $99,999	254	2.7	59	0.5	148	1.1	148	1.1
$100,000 to $149,999	1,663	17.4	1,015	9.4	139	1.0	210	1.5
$150,000 to $199,999	5,016	52.5	3,328	30.7	282	2.1	421	3.0
$200,000 to $299,999	2,339	24.5	5,098	47.0	2,821	20.7	2,799	20.2
$300,000 to $499,999	250	2.6	1,221	11.3	8,508	62.5	7,976	57.6
$500,000 to $999,999			56	0.5	1,140	8.4	1,873	13.5
$1 million or more			7	0.1	108	0.8	74	0.5
Total	9,560	100.0	10,851	100.0	13,610	100.0	13,854	1..0
Median (dollars)	$177,100		$215,900		$350,000		$356,200	

Source: U.S. Census Bureau, 1990 and 2000, Summary File 1 and U.S. Census Bureau, 2008-2010 and 2013-2017 American Community Survey 5-Year Estimates

Unlike many communities in the Commonwealth, Peabody's housing market has rebounded from pre-recession levels in terms of both median sales prices and number of sales.

Table 3-20 provides *Warren Group* data on median sales prices and number of sales from 2000 through November 2018, offering a long-range perspective on sales activity. This data is tracked from Multiple Listing Service information based on actual sales. The median sales price of a single-family home as of the end of 2017 was $401,000, increasing to $431,000 by November 2018. These values are up considerably from the height of the pre-recession market in 2005 of $385,000.

The number of single-family home sales has also shown some recovery from 247 in 2010, up to 360 by 2012, and then to 459 in 2017. Like median values, this volume of single-family sales was higher than pre-recession levels.

The condo market has also rebounded from pre-recession levels. Median prices ranged as high as $269,950 in 2006 to a low of $191,500 in 2011, and then continuing to improve to $282,000 in 2017 and as high as $325,000 as of November 2018. Sales volume reached a high of 270 sales in 2005, and fell to 84 in 2011, and then continued to increase to 170 in 2015 and 165 in 2017.

Table 3-20: Median Sales Prices and Number of Sales, 2000 – November 2018

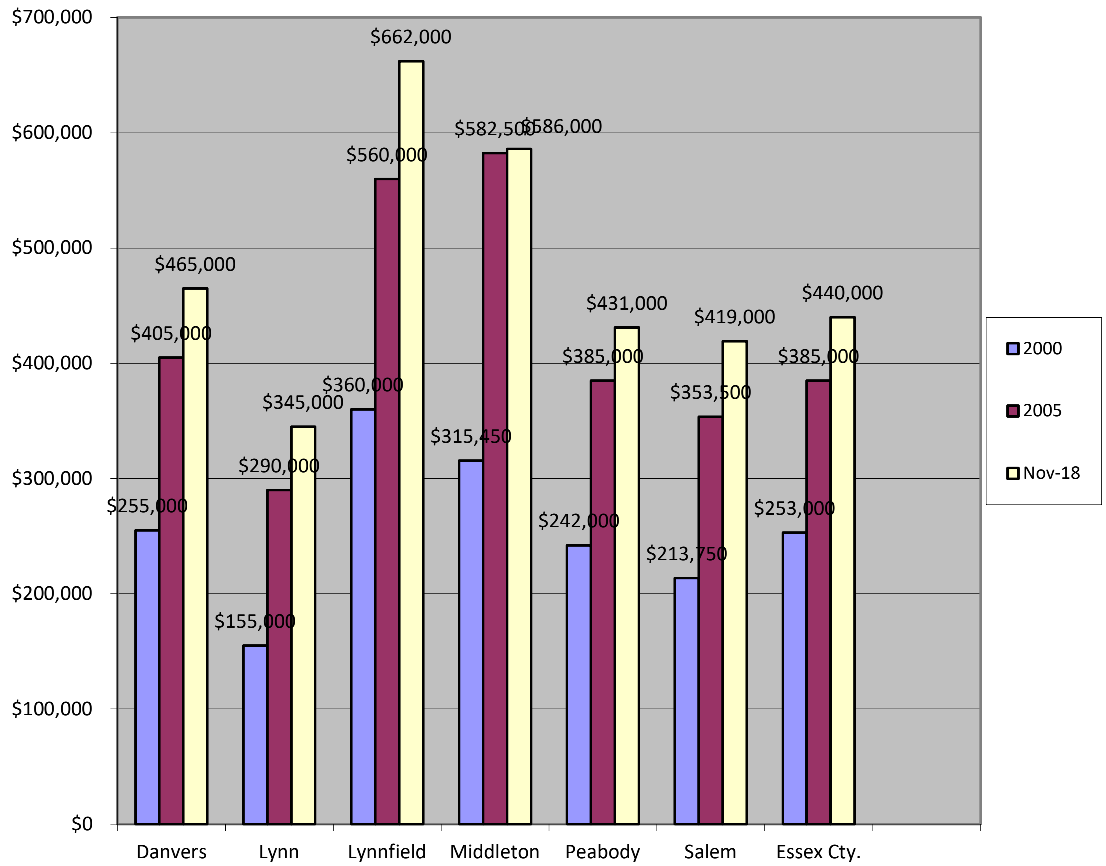
Year	Months	Single-family		Condominiums		All Sales	
		Median	**# Sales**	**Median**	**# Sales**	**Median**	**# Sales**
2018	Jan – Nov	$431,000	394	$325,000	128	$420,000	613
2017	Jan – Dec	401,000	459	282,000	165	389,900	749
2016	Jan – Dec	390,000	401	267,750	154	370,000	647
2015	Jan – Dec	365,000	413	254,500	170	347,500	668
2014	Jan – Dec	344,000	387	240,000	143	320,000	615
2013	Jan – Dec	320,250	368	236,750	148	303,000	590
2012	Jan – Dec	302,450	360	220,000	126	280,000	565
2011	Jan – Dec	290,500	262	191,500	84	275,000	429
2010	Jan – Dec	295,000	247	237,855	122	270,000	431
2009	Jan – Dec	295,000	298	225,000	139	270,000	509
2008	Jan – Dec	319,500	289	220,000	137	288,000	491
2007	Jan – Dec	350,000	330	263,000	142	336,000	545
2006	Jan – Dec	359,000	313	269,950	204	332,250	610
2005	Jan – Dec	385,000	384	259,900	270	350,000	778
2004	Jan – Dec	369,450	324	249,000	174	340,500	606
2003	Jan – Dec	331,500	424	279,450	160	325,000	695
2002	Jan – Dec	321,900	305	235,000	168	302,000	548
2001	Jan – Dec	269,700	356	185,000	112	260,000	548
2000	Jan – Dec	242,000	328	181,500	145	229,900	581

Source: The Warren Group/Banker & Tradesman, December 16, 2018

Figure 3-6 presents median single-family home prices for nearby communities and Essex County for 2000, 2005, and as of November 2018. Housing prices in Peabody have been relatively comparable to Essex County as a whole and a bit higher than Salem's. Median values for single-family homes continue to be highest in bordering Lynnfield and Middleton and lowest in Lynn.

All communities experienced significant gains in housing values from 2000 to 2005, the pre-recession height of the market in most communities. The recession precipitated considerable decreases in market values, ranging from a low of $180,000 in Lynn to a high of $456,950 in Middleton. The 2012 median was $302,450 in Peabody, somewhat lower than $315,000 for the county but higher than Salem's at $249,900. As of November 2018, the median sales prices have surpassed pre-recession levels in all communities and the county.

Figure 3-6: Median Single-Family Home Values



Another analysis of housing market data is presented in Table 3-21, which breaks down sales data from the *Multiple Listing Service* as compiled by Banker & Tradesman of The Warren Group for single-family homes and condominiums in Peabody. This data provides a snapshot of the range of sales for June through December 7, 2018.

There were 371 total sales in the last half of 2018, including 281 single-family homes and 90 condos, about twice the level of activity than 2011. Units that sold below $200,000 and were therefore roughly affordable to those earning at or below 80% of area income, included seven single-family homes and five condominiums for a total of 12 units compared to 16 and 25, respectively in the last half of 2011. The median priced single-family home was $440,000, up from $280,000 in 2011; and condos were considerably more affordable with a median sales price of $339,000, once again up considerably from $178,000 in 2011.

Only 3.9% of the single-family home sales fell into the $200,000 to $300,000 price range, still relatively affordable, down from two-thirds in 2011. While half of the homes sold between $250,000 and

$350,000 in 2011, only 9.2% of the sales occurred in this range in 2018. About two-thirds of condos sold between $150,000 and $300,000 in 2011, but such sales were down to only one-fifth by 2018.

Peabody has a limited luxury market with only 26 homes selling for more than $600,000. However, one sale on Proctor Circle was as high as $2,850,000.

Table 3-21: Single-family House and Condo Sales, June through December 7, 2018

Price Range	Single-family Homes		Condominiums		Total	
	#	%	#	%	#	%
Less than 100,000	3	1.1	0	0.0	3	0.8
$100,000-199,999	4	1.4	5	5.6	9	2.4
$200,000-249,999	5	1.8	15	16.7	20	5.4
$250,000-299,999	6	2.1	8	8.9	14	3.8
$300,000-349,999	20	7.1	25	27.8	45	12.1
$350,000-399,999	48	17.1	23	25.6	71	19.1
$400,000-449,999	67	23.8	9	10.0	76	20.5
$450,000-499,999	54	19.2	3	3.3	57	15.4
$500,000-599,999	48	17.1	2	2.2	50	13.5
$600,000 or more	26	9.3	0	0.0	26	7.0
Total	281	100.0	90	100.0	371	100.0

Source: Banker & Tradesman, December 26, 2018

City Assessor data on the assessed values of residential properties in Peabody is presented in Tables 3-22 and 3-23, providing some insights into not only the diversity of the existing housing stock but also the distribution of values for each dwelling type.

Table 3-22 provides information on the assessed values of single-family homes and condominiums. This data shows that Peabody has 10,963 single-family properties, up from 10,852 in 2011 and representing a gain of 111 such units. In 2011, there were 305 single-family units that were valued below $200,000 but the Fiscal Year 2019 figures show only 28 units, most likely subsidized. More than half of the units in 2011 (54.8%) were assessed between $200,000 and $300,000, down to 6.2% in 2018, all still relatively affordable. On the other end of the range of assessments, 1.6% of homes were assessed at more than $500,000 in 2011, now up to 16.4%. The median assessed value is $400,800, up from $287,700 in 2011, and lower than the median sales price as of November 2018 of $431,000 according to The Warren Group (see Table 3-20).

There were 2,276 condominiums, or about 10% of all housing units, counted in Assessor's records, an increase of only 10 units since 2011. Not surprisingly, the condos were assessed more affordably on a whole than the single-family homes with 36 units assessed below $100,000, down from 106 in 2011. Additionally, 13.8% were assessed between $100,000 and $200,000, down considerably from 34.2% in 2011. While half of the condos were valued between $200,000 and $300,000 in 2011, an erosion of affordability also occurred in this range, now at 44.3%. On the other hand, while only 12.5% of all condos were assessed for more than $300,000 in 2011, this level is now at 40.5%. There were only 12.5% of condos valued above this level. The median assessed value is now at $281,700, much higher than the $216,900 level in 2011 and significantly lower than the median sales price of $325,000 as of November 2018 according to The Warren Group (see Table 3-20).

Table 3-22: Distribution of Assessed Values of Single-family and Condominiums

Assessment	Single-family Dwellings		Condominiums		Total	
	#	%	#	%	#	%
0-$99,999	4	0.04	32	1.4	36	0.3
$100,000-199,000	24	0.2	314	13.8	338	2.6
$200,000-249,999	123	1.1	301	13.2	424	3.2
$250,000-299,999	675	6.2	708	31.1	1,383	10.4
$300,000-349,999	2,022	18.4	544	23.9	2,566	19.4
$350,000-399,999	2,575	23.5	246	10.8	2,821	21.3
$400,000-449,999	2,381	21.7	113	5.0	2,494	18.8
$450,000-499,999	1,366	12.5	9	0.4	1,375	10.4
$500,000-599,999	1,348	12.3	9	0.4	1,357	10.3
$600,000 or more	445	4.1	0	0.0	445	3.4
Total	10,963	100.0	2,776	100.0	13,239	100.0

Source: Peabody Assessor, Fiscal Year 2019.

City property assessments indicate a considerable erosion of housing that is relatively affordable in the private housing stock between Fiscal Years 2011 and 2019, demonstrating the rebounding of the housing market following the recession of more than a decade ago.

Assessor's data for multi-unit properties, as summarized in Table 3-23, indicates that there were 876 two-family homes (1,752 units) and 281 three-families (843 units) with median values of $410,200 and $467,300, respectively. There were 159 two-family homes and 31 three-family units valued at less than $250,000 in 2011, reduced to only five two-families based on 2019 assessments. The data also showed that almost three-quarters of the two and three-family properties were assessed between $250,000 and $350,000 in 2011 but include only about 11% based on Fiscal Year 2019 assessments. By 2019, 52% were assessed between $350,000 and $450,000 and 38% valued above $450,000.

Table 3-23: Distribution of Assessed Values of Multi-family Properties

Assessment	2-unit Properties		3-unit Properties		Multiple Houses on 1 Lot		4 to 8-unit Properties	
	#	%	#	%	#	%	#	%
0-$199,999	1	0.1	0	0.0	0	0.0	0	0.0
$200,000-249,999	4	0.5	0	0.0	0	0.0	0	0.0
$250,000-299,999	24	2.7	1	0.4	3	9.1	0	0.0
$300,000-349,999	96	11.0	4	1.4	4	12.1	4	3.6
$350,000-399,999	219	25.0	20	7.1	7	21.2	12	10.8
$400,000-449,000	270	30.8	87	31.0	4	12.1	25	22.5
$450,000-499,999	169	19.3	68	24.2	4	12.1	25	22.5
$500,000 or more	93	10.6	106	37.7	11	33.3	45	40.5
Total	876	100.0	281	100.0	33	100.0	111	100.0

Source: Peabody Assessor, Fiscal Year 2019.

There are also 111 structures with four to eight units, up from 99 such structures in 2011, with a median value of $477,000. The 2011 assessments indicated that more than half of these properties were valued between $250,000 and $350,000 while the 2019 assessments show that 45% were assessed between $400,000 and $500,000 with another 40.5% above this level.

Assessor's Fiscal Year 2019 data also indicated that:

- There were 133 mixed-use properties with assessments ranging from $216,200 to $3,829,400 and a median of $659,100.
- There were 16 mobile home properties located on Newbury, Goodale, and Pine Streets.
- There were 26 properties with more than eight units ranging in value from $801,100 to about $164 million at Brooksby Village.
- There were three boarding or lodging houses or other congregate housing.
- There were 173 parcels of vacant land in residential zones.

Rentals

Table 3-24 presents census information on rental costs from 1990 to 2017, which shows that the rental market has changed substantially as the median rent more than doubled between 1990 and 2010, going from $523 per month to $1,127, and then increased to $1,266 by 2017. In 1990, 37% of rents were less than $500 per month, but in 2010 estimates suggest that only 13.6% of apartments rented below this level with declines to 13.2% by 2017. It is also important to note that the census counts include subsidized units, which represent more than one-fifth (21%) of all rental units in Peabody and thus under-represents actual market prices.

On the other end of the rental range, only 6.7% of all apartments rented for more than $1,000 in 1990, up to 62% by 2018.

Table 3-24: Rental Costs, 1990 to 2017

	1990		2000		2010		2017	
Gross Rent	**#**	**%**	**#**	**%**	**#**	**%**	**#**	**%**
Under $200	715	13.8	237	4.6	233	3.4	1,002	13.2
$200-299	349	6.7	418	7.8	297	4.3		
$300-499	859	16.5	572	10.7	405	5.9		
$500-749	1,827	35.1	1,758	32.9	868	12.6	1,422	18.7
$750-999	939	18.1	1,519	28.4	799	11.6		
$1,000-1,499	348	6.7	508	9.5	2,409	34.9	2,461	32.3
$1,500 +			53	1.0	1,694	24.5	2,259	29.7
No Cash Rent	162	3.1	268	5.0	199	2.9	469	6.2
Total*	5,199	100.0	5,343	100.0	6,904	100.0	7,613	100.0
Median Rent	$523		$704		$1,127		$1,266	

Source: U.S. Census Bureau, Census 1990 and 2000 Summary File 3; 2008-2010 and 2013-2017 American Community Survey 5-Year Estimates.

Updated information from *internet rental listings* in December 2018 is presented in Table 3-25. These listings include units in larger multi-family properties and compare them to those in smaller dwelling types. This information demonstrates that census figures largely underestimate market rents. For example, the relatively newer apartment developments – such as Eaves by Avalon, the Highlands at Dearborn, or 14 North – have rents for one-bedroom units of more than $1,500. Three-bedroom units in these developments are approaching or over $3,000. Listings for units in smaller properties, typically small multi-family homes, are also high at more than $1,500 for two-bedroom units and about $2,000 for three-bedrooms.

Most of the apartments require first and last month's rent plus a security deposit equivalent to as much as a month's rent. For a $1,500 apartment, that totals $4,500 in up-front cash, an amount that many prospective tenants just do not have available. Some listings include just a half-month's rent up-front, in addition to the first month's rent, as a "finder's fee".

Table 3-25: Sample Year-round Rental Listings

# Bedrooms	# Baths	Square Footage	Rent	Type
Units in Larger Multi-family Developments				
1-3	1-2		$1,415 - $2,750	Newer apt. development
1-3	1-2	703 – 1,366	$1,675 - $3,035	Newer apt. development
1-3	1-2	746 – 1,529	$1,749 - $6,954	Newer apt. development
1-2	1-2		$1,539 - $2,555	Newer apt. development
1-2	1-2	779 – 1,791	$1,850 – $3,369	Newer apt. development
1-2	1-2		$1,130 - $1,795	Older apt. Development
2	1.5		$1,895	Older townhouse development
Units in Smaller Multi-family Properties				
3	2	1,200	$2,100	Duplex condo
3	1	1,250	$2,000	Condo for rent
3	1	1,000	$1,600	Apt. in house
2	1		$2,195	Apt. in house
2	1		$1,950	Apt. in house
2	1	1,074	$1,900	Townhouse
2	1		$1,850	Apt. in house
2	1		$1,750	Condo for rent
2	1.5	1,800	$1,700	Apt. in house
2	1	950	$1,600	Apt. in house
2	1		$1,500	Condo in house for rent
2	1	750	$1,450	Apt. in house
Studio	1		$1,980	Apt. in house
Studio	1	333	$1,200	Apt. in house
Studio	1	144	$800	Attic apartment

Sources: Internet Listings, December 2018.

3.3.5 Affordability Analysis

This section provides an analysis of the implications of various factors on housing affordability including income levels, available financing, median housing values, cost burdens and foreclosure activity. Through this analysis it is possible to obtain a more comprehensive understanding of the local housing dynamic.

Analysis of Housing Costs on Affordability – Housing prices are becoming increasingly out of reach

Tables 3-26 and 3-27 examine affordability from two different perspectives. Table 3-26 calculates what households earning at various income levels can afford with respect to types of housing, focusing on the City's median household income level based on 2017 census estimates and the 80% of HUD area median income (AMI) level for the Boston area, both of which have grown to become very comparable over the past few years. Table 3-27 analyzes the implications of some of the housing costs summarized above in Section 3.3.4, estimating what households must earn to afford these prices *based on spending no more than 30% of their income on housing expenses*, the commonly applied threshold of affordability.

In addition to showing how different types of housing are more or less affordable to households earning at median income and at 80% AMI, Table 3-26 also indicates that the amount of down payment has a substantial bearing on what households can afford. Prior to the recession, it had been fairly easy for purchasers to limit their down payments to 5% or even less. Following the "bursting of the housing bubble", lenders have typically been applying more stringent lending criteria, including the need for down payments as high as 20% of the purchase price. Such high cash requirements make homeownership, particularly first-time homeownership, much more challenging. As Table 3-26 demonstrates, a household earning the same level of income can acquire a much higher priced home with more cash down as they are borrowing less and do not have to pay private mortgage insurance (PMI).

Table 3-26 also shows that because condo fees are calculated as housing expenses in mortgage underwriting criteria, they are more expensive. Therefore, a household earning at 80% AMI, for example, can afford a single-family home of about $250,500 with a 5% down payment, but a condo for only $217,600, assuming a condo fee of $250 per month. The same household is estimated to be able to buy a two-family house for $395,000 as it can likely charge at least $1,250 per month in rent, which is considered as income in mortgage underwriting, usually at about 75% of the rent level. A three-family house is even more affordable with two paying tenants, and it is therefore not surprising that the two-family house and triple-decker have been so successful as starter housing in many of the state's older communities when zoning allowed this type of housing.

Table 3-26 also looks at what renters can afford at three different income levels. For example, a two-person household earning at 50% AMI and earning $43,150 annually could afford an estimated monthly rental of about $904, assuming they are paying no more than 30% of their income on housing and pay utility bills that average $175 per month. A rental this low is increasingly difficult to find in Peabody, where the lowest rental advertised on the internet in December 2018 for a two-bedroom apartment was $1,450, which most likely also required first and last month rent and a security deposit. This means that any household looking to rent in the private housing market must have a considerable amount of cash available, which has a significant impact on affordability. Including utility costs, this apartment would not be affordable to a household earning less than 80% AMI.

Table 3-26: Affordability Analysis I
<u>Maximum</u> Affordable Prices Based on Income Levels

Type of Property	Income Level	30% of Monthly Income	Estimated Max. Affordable Price 5% Down ***	Estimated Max. Affordable Price 20% Down ***
Single-family	Median Income = $65,085*	$1,627.12	$250,500	$286,000
	80% AMI = $64,900**	$1,622.50	$249,800	$285,000
Condominium	Median Income = $65,085*	$1,627.12	$217,600	$249,000
	80% AMI = $64,900**	$1,622.50	$217,000	$248,350
Two-family	Median Income = $65,085*	$1,627.12	$395,000	$450,500
	80% AMI = $64,900**	$1,622.50	$394,200	$449,600
		30% of Monthly Income	**Estimated Utility Cost**	**Affordable Monthly Rental**
Rental	Median Income = $65,085*	$1,627.12	$175	$1,452
	80% AMI = $64,900**	$1,622.50	$175	$1,448
	50% AMI = $43,150**	$1,078.75	$175	$904
	30% AMI = $25,900**	$647.50	$175	$472

Source: Calculations provided by Karen Sunnarborg Consulting.
* Based on the U.S. Census Bureau's American Community Survey 5-Year estimate for 2013-2017.
** HUD 2018 Income Limits for the Boston area for a household of two (2), which is the average household size in Peabody (2.42 persons).
*** Figures based on interest rate of 5.0%, 30-year term, annual property tax rate of $11.01 per thousand, insurance of $6 per thousand for single-family and two-family homes and $4 per thousand for condos, $250 monthly condo fees, the purchaser spending 30% of income on housing costs, rental income of 75% of $1,250 (close to the median gross rent of $1,266 in the 2017 census estimates) or $937.50. Figures assume that purchasers earning at or below 80% AMI or median income would qualify for a state-sponsored mortgage program such as the ONE Mortgage Program or MassHousing financing that would not require private mortgage insurance (PMI).

Table 3-27 examines affordability from another angle, going from specific housing costs to income. Taking median price levels for single-family homes, condos and two-family homes into account, the incomes that would be required to afford these prices are calculated, also showing the differences between 95% and 80% financing. For example, using the median single-family home price as of November 2018 of $431,000, a household would have to earn approximately $116,278 if they were able to access 95% financing. In the case of a 20% down payment, a lower income of about $98,188 would be required still considerably higher than the median household income of $65,085 or even the median income for homeowners of $86,644 based on 2017 census estimates.

The median condo price was $325,000 as of November 2018, requiring an income of approximately $95,519 with 5% down and $81,878 with the 20% down payment. Because of the income generated in a two-family home, this type of property is significantly more affordable requiring an income of an estimated $73,168 or $55,950 based on 95% and 80% financing, respectively.

Table 3-27: Affordability Analysis II
Income Required to Afford Median Prices or Minimum Market Rents

Type of Property	Median Price*	Estimated Mortgage		Income Required **	
		5% Down	20% Down	5% Down	20% Down
Single-family	$431,000	$409,450	$344,800	$116,278	$98,188
Condominium	$325,000	$308,750	$260,000	$95,519	$81,878
Two-family	$410,200	$389,690	$328,160	$73,168	$55,950
	Estimated Market Monthly Rental * **	**Estimated Monthly Utility Costs**	**Income Required**		
Rental					
Median	$1,266	$175	$57,640		
One-bedroom	$1,500	$150	$66,000		
Two-bedroom	$1,750	$175	$77,000		
Three-bedroom	$2,000	$200	$88,000		

Source: Calculations provided by Karen Sunnarborg.
* From The Warren Group Town Stats data, as of November 2018 for single-family homes and condos. The median price for the two-family dwelling was based on City Assessor data for Fiscal Year 2019.
*** Figures based on interest rate of 5.0%, 30-year term, annual property tax rate of $11.01 per thousand, insurance of $6 per thousand for single-family and two-family homes and $4 per thousand for condos, $250 monthly condo fees, the purchaser spending 30% of income on housing costs, and private mortgage insurance (PMI) estimated at 0.3125% of loan amount for 95% financing, and rental income of 75% of $1,250 (close to the median gross rent of $1,266 in the 2017 census estimates) or $937.50. Figures do not include underwriting for PMI in calculations with a 20% down payment.
*** Conservative estimate based on sample internet listings in Table 3-25.

In regard to rentals, using the conservative listings advertised in December 2018 in internet listings, a one-bedroom unit renting for $1,500 would require an income of $66,000, assuming $150 per month in utility bills and housing expenses of no more than 30% of the household's income. This income is comparable to the City's median household income based on 2017 census estimates and the 80% of area median income level for a two-person household in 2018. It is considerably higher than the median income of renter households of $39,912. Also, someone earning minimum wage of $12.00 for 40 hours per week every week during the year would still only earn a gross income of only about $25,000. Households with two persons earning the minimum wage would still fall far short of the $66,000 income level needed to afford this rent level. While there are rents that fall below this level, particularly subsidized rents, market rents tend to be beyond the reach of these lower wage earners. Consequently, renters have been paying much more than 30% of their incomes to live in Peabody.

Affordability Gaps – Widening gaps between income and housing costs
Through the combination of information in Tables 3-26 and 3-27, it is possible to compute the affordability gap, typically defined as the difference between what a median income earning household can afford and the median priced unit on the market. In the case of the single-family home, there is a gap of $145,000, the difference between what the median income earning household could afford of $286,000 (based on 80% financing) and the median price of $431,000. A few years ago, there was no affordability gap as the median income earning household could afford an estimated $304,000 in 2012, higher than the median house price of $300,000. It is important to note that the upfront cash requirements for the down payment and closing costs in effect substantially add to the affordability gap,

particularly in the case of 80% financing, translating into as much as $95,000 in the case of a $431,000 purchase.

> ***The high up-front costs in obtaining mortgage financing or leasing an apartment add considerably to affordability gaps.***

In regard to condos, the affordability gap is $76,000, the difference between what the median income earning household can afford, or $249,000 (based on 80% financing), and median priced condo of $325,000.

Because the City's median household income is comparable to HUD's area median income limit for a household of two, there are also comparable affordability gaps.

An affordability gap for rentals can also be calculated as the difference between what a median income earning household can afford, or $1,452 (see Table 3-26), and the median rent of $1,266. Consequently, there is no affordability gap. However, if the analysis focused on the median income earning renter household with an income of $39,912 who could afford a rent of about $823, the gap would be $443.

Table 3-28 identifies how many single-family homes and condos exist in Peabody that were affordable within various income categories. There were only 150 single-family homes affordable to those earning at or below 80% AMI, down from 388 in 2011. The rest of the homes were relatively evenly distributed through the other income ranges. The condos were generally more affordable with 428 or 15.5% affordable to those earning at or below the 80% AMI range while half were likely affordable to those earning between the 80% and 100% limits.

The ability to obtain financing, including issues related to credit history and cash requirements, can provide substantial barriers to accessing housing. It is also important to note that this analysis is based on assessed values of all properties in Peabody, not what is available on the market (see Table 3-21 for recent market activity and prices from June through December 7, 2018).

Table 3-28: Affordability Analysis III
Relative Affordability of Single-family and Condo Units in Peabody

Price Range Single-family/Condo*	Income Range**	Single-family Homes Available in Price Range		Condominiums Available in Price Range	
		Number	%	Number	%
Less than $249,800/ Less than $217,000	Less than 80% AMI	150	1.4	428	15.5
$249,801-$378,500/ $217,001-$345,000	80% - 99.9%	4,131	37.7	1,428	51.4
$378,501-$454,500/ $345,001-$423,000	100% - 120%**	3,689	33.6	385	13.9
More than $454,500 more than $423,000	More than 120%**	2,993	27.3	535	19.3
Total		**10,963**	**100.0**	**2,776**	**100.0**

Source: Peabody Assessor's Database for Fiscal Year 2019. Please note that as a standard practice, assessed value is assumed to be at least 93% of actual value or potential sale price. Figures based on a two-person household.
* Based on interest rate of 5.0%, 30-year term, annual property tax rate of $11.01 per thousand, insurance of $6 per thousand for single-family and two-family homes and $4 per thousand for condos, $250 monthly condo fees, the purchaser spending 30% of income on housing costs, and 80% financing.

** Figures based on HUD area median income limits for a household of two with the 100% AMI limits provided by the Community Preservation Coalition and the 120% limits based on the 100% figures.

Table 3-29 demonstrates a substantial need for more affordable homeownership opportunities in Peabody for those earning at or below 80% AMI in particular. These calculations are based on data in Table 3-31 and suggest that of the 5,105 owner households who were estimated to have earned at or below 80% AMI, there were 2,165 dwelling units that would have been affordable to them based the numbers of owners living without cost burdens, defined as spending 30% or more on housing costs. The projected deficit of 2,940 units for those earning at or below 80% AMI is considerable, and there is a deficit in affordable units even for those earning above 80% AMI.

Table 3-29: Homeownership Need/Demand Analysis

Income Group	**Income Range***	**Affordable Sales Prices Single-family/Condos****	**# Owner Households *****	**# Existing Affordable Units (No Cost Burdens)*****	**Deficit -/ Surplus+**
Less than 80% AMI	$64,900 and less	Up to $249,800/$217,000	5,105	2,165	- 2,940
80%-100% AMI	$64,901 to $86,240	$240,801-$378,500/ $217,001-$345,000	1,410	715	- 695

Source: U.S. Census Bureau's 2013-2017 American Community Survey 5-Year Estimates.
* HUD 2018 Income Limits for the Boston area for a household of two (2), which is the average household size in Peabody (2.42 persons). ** See analysis in Table 3-26. *** Data from Table 3-31.

Table 3-30 indicates that there is also a shortage of affordable rental units, particularly for those in the very lowest income levels with a *deficit of 1,790 units for extremely low-income households* earning less than 30% AMI and 1,055 units for those earning between 30% and 50% AMI, referred to by HUD as very low-income households. Rental subsidy programs typically target these populations. There is also a substantial deficit of 945 units for those earning between 50% and 80% AMI. These figures are also based on those who are overspending on their housing.

Table 3-30: Rental Unit Need/Demand Analysis

Income Group	**Income Range***	**Affordable Rent****	**# Renter Households *****	**# Existing Affordable Units (No Cost Burdens) ******	**Deficit -/ Surplus +**
Less than 30% AMI	$25,900 and less	$472 and less	2,525	735	-1,790
Between 30% and 50% AMI	$25,901 to $43,150	$473 to $904	1,555	500	-1,055
Between 50% and 80% AMI	$43,151 to $64,900	$905 to $1,448	1,595	650	-945

Source: US Census Bureau's 2013-2017 5-Year Estimates from the American Community Survey.
* For a household of two (as the average household size for renters was 2.42 persons per the 2017 census estimates based on 2018 HUD income limits for the Boston area that includes Peabody.
** Includes a utility allowance of $175 per month.
*** Based on HUD CHAS report as summarized in Table 3-31.
**** Based on HUD CHAS report in Table 3-31 of those without cost burdens.

Cost Burdens – Increasing numbers and percentages of households are overspending on their housing
The census provides data on how much households spend on housing whether for ownership or rental. Such information is helpful in assessing how many households are encountering housing affordability problems, defined as spending more than 30% of their income on housing.

The 2017 census estimates indicate that 981 Peabody homeowners or 7.1% were spending between 30% and 34.9% on housing costs while 3,220 or 23.2% were spending more than 35% of their income on housing. Thus 4,201 or 30.3% were experiencing cost burdens, down from 40% in 2010.

In regard to renters, 814 households were spending between 30% and 34.9% of their income on housing costs with another 3,290 or 46.9% spending 35% or more. Therefore, 4,104 or 58.4% of renter households had cost burdens, higher than half of such households in 2010.

These census estimates then suggest that 8,305 households were experiencing cost burdens, representing almost 39% of all households and higher than the 7,500 or 35% of cost-burdened households in 2010.

A HUD report estimates that of the 21,650 total households living in Peabody, 38% or 8,195 were spending too much on their housing including 17% or 3,705 households spending more than half their income on housing costs.

The U.S. Department of Housing and Urban Development (HUD) provides additional data on housing cost burdens through its State of the Cities Data System's Comprehensive Housing Affordability Strategy (CHAS) report, which is summarized in Table 3-31. The table includes how many households were included in the particular category (by income and household type), how many were spending between 30% and 50% of their income on housing, and how many were spending more than half of their income on housing. For example, the first cell indicates that there were 1,070 elderly renter households estimated to be earning at or below 30% of median income that includes 130 spending between 30% and 50% of their income on housing and 490 spending more than half.

This HUD report further suggests the following:

- *There were 10,780 or about half of all households who were earning at or below 80% median family income (MFI) and might be eligible for housing assistance based on income alone.*
- *This data also estimates that 8,195 households (3,880 renters and 4,315 owners) were spending too much on their housing.*
- Of the 10,780 total households earning at or below 80% MFI, 6,730 or 62.4% were spending more than 30% of their income on housing including 3,525 or one-third spending more than half on housing costs.
- A total of 1,465 households or 6.8% of all households earning <u>more than</u> 80% MFI were spending too much on their housing as well.

Table 3-31: Cost Burdens by Income, Household Type and Tenure

Type of Household By Tenure	Households Earning <30% MFI/# with cost burdens *	Households Earning > 30% to < 50% MFI/ # with cost burdens *	Households Earning > 50% to < 80% MFI/# with cost burdens *	Households Earning > 80% and < 100% MFI /# with cost burdens *	Households Earning > 100% MFI/ # with cost burdens *	Total
Elderly Renters	1,070/130-490	575/140-180	305/150-110	195/25-25	330/20-0	2,475/465-805
Small Family Renters	625/75-465	605/290-125	720/440-0	245/0-0	515/0-0	2,710/805-590
Large Family Renters	115/10-40	55/40-0	0/0-0	105/0-0	45/0-0	320/50-40
Other Renters	715/170-410	320/180-100	570/245-0	210/20-0	605/0-0	2,420/615-510
Total Renters	**2525/385-1405**	**1,555/650-405**	**1,595/835-110**	**755/45-25**	**1,495/20-0**	**7,925/1,935-1945**
Elderly Owners	1,200/325-580	740/235-150	1,065/85-80	455/135-35	1,490/80-0	4,950/860-845
Small Family Owners	120/10-60	440/205-165	525/240-45	670/330-90	4,275/375-30	6,030/1,160-390
Large Family Owners	65/10-55	125/15-110	70/45-25	140/65-0	550/55-0	950/190-190
Other Owners	345/45-225	145/25-45	265/95-65	145/40-0	895/140-0	1,795/345-335
Total Owners	**1,730/390-920**	**1,450/480-470**	**1,925/465-215**	**1,410/570-125**	**7,210/650-30**	**13,725/2,555-1,760**
Total	**4,255/775-2,325**	**3,005/1,130-875**	**3,520/1,300-325**	**2,165/615-150**	**8,705/670-30**	**21,650/4,490-3,705**

Source: U. S. Department of Housing and Urban Development (HUD), SOCDS CHAS Data, American Community Survey, 2011-2015 5-Year Estimate. *First number is total number of households in each category/second is the number of households paying more than 30% of their income on housing (with cost burdens) – and third number includes those that are paying more than half of their income on housing expenses (with severe cost burdens). Elderly is defined as those 62 years of age or older. Small families have four (4) or fewer family members while larger families include five (5) or more members. The "Other" category, for both renters and owners, includes non-elderly and non-family households, basically single individuals.

Renter Households

- There were 7,925 renter households and of these 3,880 or 49% were experiencing cost burdens, 1,945 or almost one-quarter with severe cost burdens.
- Of the 5,675 renter households earning at or below 80% MFI (72% of all renter households) 3,790 or two-thirds were experiencing cost burdens and 1,920 or one-third were spending more than half of their income on housing expenses. Only 90 of those earning more than 80% MFI were experiencing cost burdens.
- A total of 2,475 or 31% of the renter households were 62 years of age or older including 1,950 or 79% earning at or below 80% MFI. Of these lower income households, 1,200 or 61.5% were experiencing cost burdens, 780 or 40% with severe cost burdens.
- There were 2,710 small family households with 1,950 or 72% earning at or below 80% MFI. Of these households, 1,395 or 71.5% were overspending with 590 spending more than half of their income on housing, demonstrating a need for more subsidized rentals for families, which should be a particular focus of the City's housing agenda.
- There were only 320 large families renting in Peabody with all of the cost burdens focused on those earning at or below 50% MFI.
- There were also a high number of renters who were nonelderly, single individuals with a total of 2,420 such households, 1,605 or two-thirds earning at or below 80% MFI. Of these lower income individuals, 1,105 or 69% had cost burdens including 510 or 32% with severe cost

burdens. These individuals might be well served by the availability of more accessory apartments and other smaller rental units.

Owner Households

- There were 13,725 owner households in this report, 4,315 or 31.4% with cost burdens.
- Of the 5,105 owner households earning at or below 80% MFI (37.2% of all owner households), 2,940 or 57.6% were spending too much including 1,605 31.4% who were spending more than half of their earnings on the costs of housing.
- A total of 4,950 or 36% of all owners were 62 years of age or older. Of these, 1,705 or 34.4% were experiencing cost burdens. A total of 1,455 or 85.3% of these owners with cost burdens were earning at or below 80% MFI. This population might benefit from having an accessory dwelling unit or some further relief on property taxes and utilities.
- There were 6,030 small family owner households, representing 44% of all owner households. Of these, 1,085 or 18% were earning at or below 80% MFI and 270 or one-quarter were spending more than half of their income on housing costs.
- There were 950 large family owner households, which included 380 or 40% with cost burdens. Of these 260 or 27.4% were earning at or below 80% MFI, all with cost burdens.
- Of the total 1,795 individual owners below 62 years of age, 680 or 38% were overspending and of these 500 or 74% were earning at or below 80% MFI.

Foreclosures – Increasing more recent activity

Another indicator of affordability involves the ability to keep up with the ongoing costs of housing which some residents have found challenging since the "bursting of the housing bubble" about a decade ago. This recession forced some Peabody homeowners to confront the possibility of losing their home through foreclosure as shown in Table 3-32.

A total of 134 homeowners have lost their homes to foreclosure auctions with another 92 facing possible foreclosure. While there were no foreclosures prior to 2010, the highest level of foreclosure activity occurred in 2018. The jump is recent foreclosure activity is reputed to relate to a backlog of cases that have been on hold pending court cases and the need to clarify new regulations.

Table 3-32: Foreclosure Activity, 2007 through 2018

Year	Petitions to Foreclose	Foreclosure Auctions	Total
2018	33	22	55
2017	22	11	33
2016	15	14	29
2015	13	6	19
2014	4	3	7
2013	5	1	6
2012	24	13	37
2011	3	7	10
2010	15	15	30
2009	0	0	0
2008	0	0	0
2007	0	0	0
Total	134	92	226

Source: The Warren Group, Banker & Tradesman, January 21, 2019.

3.3.6 Subsidized Housing Inventory (SHI)

Current and Proposed Housing Inventory

As of November 2020, the state listed 2,104 affordable housing units in Peabody's state-approved Subsidized Housing Inventory (SHI), representing 9.5% of the total year-round housing stock of 22,135 units, up from 9.12% in 2011. This is the list of affordable dwelling units that the state recognizes as eligible for counting towards Peabody's 10% state affordability goal or annual housing production goals.

> ***When the 2020 census figures are released, the year-round housing figure will increase and consequently so will the 10% affordability goal. This Housing Production Plan documents still unmet affordable housing needs even after the 10% goal is achieved.***

Although the City surpassed the 10% affordability threshold under Chapter 40B in the past, the 2010 census data reflected housing growth and thus reduced Peabody's SHI percentage from the previous 10.6% level. Therefore, the City is not exempt from what it considers inappropriate comprehensive permit projects that enable developers to override local zoning in exchange for meeting state guidelines in building affordable housing. There is a current gap of 110 affordable units to get to the 10% goal.[14]

Many communities in the state have been confronting challenges in boosting their relatively limited supply of affordable housing. The SHI levels for Peabody and neighboring communities are visually presented in Figure 3-7. Excepting Middleton, these communities have surpassed the 10% affordability goal and Peabody is very close.

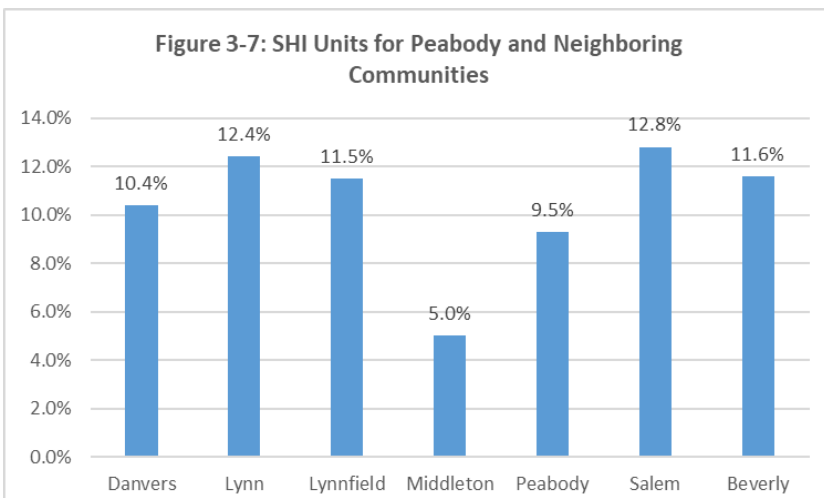


Table 3-33 summarizes the units included in the Subsidized Housing Inventory (SHI) as of August 14, 2020. The substantial majority of Peabody's 2,104 SHI units are rentals, including 1,733 units or about

[14] Chapter 774 of the Acts of 1969 established the Massachusetts Comprehensive Permit Law (Massachusetts General Laws Chapter 40B) to facilitate the development of affordable housing for low- and moderate-income households (defined as any housing subsidized by the federal or state government under any program to assist in the construction of low- or moderate-income housing for those earning less than 80% of median income) by permitting the state to override local zoning and other restrictions in communities where less than 10% of the year-round housing is subsidized for low- and moderate-income households.

82%. Ownership units counted for only 47 units or 2.2% of SHI units. The SHI also includes 191 special needs units in group homes, up from 165 in 2011. There was a net gain of only five SHI units since 2012, largely due to drop-offs from shorter-term affordable housing restrictions through housing rehab initiatives. However, in addition to new units in group homes, the following new units were added to the SHI:

- A Habitat for Humanity project on *Park Street* that includes eight 3-bedroom units for first-time homebuyers earning at or below 60% of area median income.
- Four affordable homeownership units at *80 Walnut Street.*
- Five condos as part of the 56-unit *Maple Village Condominium* development required by the inclusionary zoning (IZ) ordinance.
- A total of 61 rental units were produced as part of the *Brown School Residences* that involved the conversion of the Brown School with a significant new addition. Stacey, this is already on the SHI.
- Sixty units as part of the *Ezio Place* project at 55 Newbury Street that was permitted through the Local Initiative Program (LIP), also known as the "friendly 40B" process.
- Six homeowner rehabilitation projects funded through the Critical Care Repair Program.
- Two rental units at *10 Elm Street* (one two-bedroom unit and one four-bedroom) administered by the Peabody Historical Commission with Citizens Inn, Inc.

Table 3-33: Peabody's Subsidized Housing Inventory (SHI)

Project Name	# SHI Units 2018/ 2012	Project Type/ Subsidizing Agency	Use of a Comp Permit	Affordability Expiration Date
Tanners Court*	24	Rental/DHCD	No	Perpetuity
Veterans Memorial*	68	Rental/DHCD	No	Perpetuity
Breshnahan Street*	35	Rental/DHCD	No	Perpetuity
Connolly Terrace*	52	Rental/DHCD	No	Perpetuity
Eastman Park*	52	Rental/DHCD	No	Perpetuity
Farnsworth (103 Central St.)*	29	Rental/DHCD	No	Perpetuity
Rockdale Park*	50	Rental/DHCD	No	Perpetuity
Seeglitz School (75 Central St.)*	78	Rental/DHCD	No	Perpetuity
Wilson Terrace*	50	Rental/DHCD	No	Perpetuity
509 Lowell Street*	8	Rental/DHCD	Yes	Perpetuity
347 Lowell Street*	6	Rental/DHCD	No	Perpetuity
Lowell Crossing (349 Lowell)*	8	Rental/DHCD	No	Perpetuity
Colonial Manor*	26	Rental/DHCD	No	Perpetuity
Goldberg Road*	15	Rental/DHCD	Yes	Perpetuity
Jacob Street*	4	Rental/DHCD	No	Perpetuity
Fairweather Apartments	88	Rental/HUD	No	2025/extended from 2013
Family Estates Coop	39	Rental/DHCD	No	2045/extended From 2015
Family Quarters	4	Rental/EOHHS and HUD	No	2041
Peabody House	140	Rental/HUD and MassHousing	Yes	2024

Tannery II	173	Rental/HUD and MassHousing	No	2035/extended from 2013
The Tannery	284	Rental/MassHousing	No	2062
Penelope Elderly	48	Rental/DHCD and HUD	No	2021
Citizens for Adequate Housing/ Central Street	2	Rental/HUD	No	Perpetuity
Avalon Village South (Cranebrook)	309	Rental/MassHousing	Yes	2042
Lowell Street	5	Rental/DHCD	No	2054
Stoney Brook	22	Ownership/DHCD	Yes	2026
Citizens for Adequate Housing/ Fulton, Lowe and Northend St.	10	Ownership/HUD	No	2030
Juniper Village	15	Ownership/FHLBB	Yes	2101
Upton Manor	4	Ownership/DHCD	No	Perpetuity
Maple Village Condos	5	Ownership/DHCD	No	Perpetuity
Park Street	8	Rental/DHCD and HUD	No	Perpetuity
Brown School Residences	61	Rental/MHP	No	2057
55 Newbury	60	Rental/MHP	Yes	Perpetuity
DDS Group Homes	158	Rental/DDS	No	NA
DMH Group Homes	33	Rental/DMH	No	NA
Peabody HOR Program	9	Mix/DHCD2,074	No	2017-2024
Peabody HOR Program	86	Ownership/DHCD	No	2017-2031
Peabody HOR Program	36	Rental/DHCD	No	2024-2045
TOTAL	2104	1,733 rentals or 82.3% 47 or 2.2% ownership 191 or 9.1% group homes /165 135 or 6.4% Rehab Program	509 or 25% with 40B Permit	

Source: Massachusetts Department of Housing and Community Development, November 9, 2020.
* Peabody Housing Authority units

The total number of SHI units should soon be 2,126 given the following affordable units that are eligible for inclusion in the SHI, bringing the percentage of affordable units to 9.6%.

- Five rental units at *Terrace Estates* as part of a thirty-five-unit project, required under the IZ ordinance.
- Nine rental units as part of the *59 Walnut Street* project that received a Special Permit from the City Council. The Community Development Department negotiated the exchange of a no interest, depreciating loan to rehabilitate the nine units for a 20-year affordability restriction.
- Two homes that were rehabilitated as part of the City's *Critical Repair Program*.
- Two affordable rentals in a 12-unit development at 160 Main Street, required under the IZ Ordinance. A lottery agent has been hired to market the units.
- Three affordable rentals in a 20-unit development created by the Inclusionary Zoning Ordinance (IZ) at *1 Main Street.*
- One affordable rental unit in 9 unit development subject to the Inclusionary Zoning Ordinance.

There are several active Chapter 40B comprehensive permit projects including:

- 80 rental units on *Oak Street* at the Peabody/Lynn Elks Lodge property. Because this is 40B rental development, all units would count as part of the SHI although only 25% or 20 units would actually be affordable. The City has considered the size of this project too big for the flood-prone site on a one-way road, among other concerns.

- 116 rental units as part of *The Residences at Farm Avenue* that was permitted through the "Friendly 40B" process through the state's Local Initiative Program (LIP). All units will count as part of the SHI.
- 133 total units as part of the *King Residences* 40B project that involves the conversion of the JB Thomas/Curahealth Hospital property into condominiums. Because the project involves homeownership, only 25% of the units, or 34 units, would qualify for inclusion in the SHI. The City has considered the size of this project too big for the site, among other concerns.

These projects face an uncertain outcome. Considering only the LIP, if approved, would bring the total number of SHI units to 2,242 units or 10.1% based on the 2010 housing total of 22,135 units.
Other active multi-family housing projects that are proposed to include affordable units include:

- Thirteen affordable units that are part of a 64-unit homeownership development at *190R Newbury Street*.
- Twenty-seven affordable units to be built as part of a 180-unit rental development at *7 Dearborn Street*.

If all these units were built, another 40 units would be eligible for inclusion in the SHI, bringing the total number of SHI units to 2,282 units or 10.3% based on the 2010 census housing unit total. When the 2020 census figures are released, the total number of housing units is likely to climb close to 23,000 units. With an SHI potentially as high as 2,282 units, the City would again fall slightly below the state's 10% affordability threshold if the total number of housing units reaches 23,000 units. However, if the 2020 census indicates 22,820 or less housing units, the City would be at or above the state's 10% affordability threshold.

Other potential properties have been discussed as possibilities for affordable housing development including:

- The City owns *70 Endicott Street,* which was the former site of the School Administration Building that had been vacant for more than a decade. The City has pre-permitted an eight-unit development for this site.

Expiring Use Projects
The SHI includes units that involve affordability restrictions that are reported to expire in the future and thus be removed from the SHI, referred to as expiring use units. For example, the units that were rehabilitated through the City's housing rehab programs have shorter-term affordability restrictions that will be expiring, some in the very near future.

Other projects that are listed in the SHI with affordability restrictions that are due to expire within the relatively near future are listed in Table 3-34. These include a total of 188 rental units, however, updated information from the state's Community Economic Development Assistance Corporation (CEDAC), which monitors expiring use projects, indicates that it is likely that all of these units will remain part of the SHI well into the future.

The Stoney Brook project, with 22 affordable homeownership units, is identified as expiring in 2026. Homeownership units depend on the particular restriction that runs with the units and the term of that restriction. Stoney Brook appears to be a project that was part of DHCD's Housing Opportunity Program (HOP) that operated in the past. DHCD's Chapter 40B guidelines provide the following language regarding HOP:

> "Homeownership Opportunity Program (HOP) resale controls are intended to be in effect in perpetuity. If an eligible purchaser cannot be located for a HOP affordable unit and the resale controls lapse in accordance with the program, the unit shall continue to be counted."

It is therefore unclear why the affordability of this project is listed as expiring, and it is likely that these units will also remain part of the SHI.

Consequently, it is unlikely that any of the units listed in Table 3-34, besides the 104 housing rehab units, will be eliminated from the SHI over the next 7 years. The loss of these units would gradually bring the SHI total down to a projected 2,142 units or 9.3% based on an estimated 2020 total census housing count of 23,000 units and if no HOR units were added over that same period, which in not an anticipated scenario.

Table 3-34: Status of Expiring Use Units

Name of Project	Number of Units	Affordability Expires	Status
Stoney Brook	22	2026	Project part of state's Housing Opportunities Program that supported homeownership developments with units that were supposed to remain affordable in perpetuity.
Peabody House	140 rentals	2024/2039	Section 8 runs to 2039 and there is also a Chapter 40B affordability restriction.
Penelope Elderly	48 rentals	2021	This Section 202 property has a contract renewal in 2021 which should not be a problem. Besides the HUD use restriction, the state has another affordability restriction as part of the Housing Innovations Fund (HIF) loan and there is no reason for concern regarding the extension of the affordability.
HOR/Housing Rehab Units	11 26 26 19 22	2020-2021 2023-2024 2025 2026 2027	
	314 units		

Source: Massachusetts Community Economic Development Assistance Corporation (CEDAC), the state agency that provides some oversight on expiring use projects; October 2020.

It is also important to note that almost 600 affordable units have had their affordability extended relatively recently as part of Family Estates Coop, Fairweather Apartments, Tannery, and Tannery II developments.

Peabody Housing Authority Units

Table 3-35 provides a breakdown of PHA units, including the number of units and bedrooms. There was a total of 346 units for the elderly and younger disabled, 137 family units, and 26 special needs units.

In regard to units that are accessible to the handicapped, the PHA has six units at Farnsworth/103 Central Street, seven at the Seeglitz School/75 Central Street, and one 3-bedroom unit at Goldberg Road for a total of 14 handicapped accessible units.

Table 3-35: Peabody Housing Authority Housing Unit Wait Lists

Project	Type**	# Units	# Bedrooms	Wait List	Wait Times Local/Non-local Applicants*
Bresnahan St.	State/Elderly	35	All 1-bed units	1,914 applicants	3+ years/5+ years
Wilson Ter.	State/Elderly	50	All 1-bed units		
Connolly Ter.	State/Elderly	52	All 1-bed units		
Eastman Park	State/Elderly	52	All 1-bed units		
Rockdale Park	State/Elderly	50	All 1-bed units		
Farnsworth (103 Central St)	State/Elderly	29	All 1-bed units		
Seeglitz Bldg. (75 Central St.)	State and Federal/Elderly Section 8	78	71 1-beds and 7 2-bed units		
Vets. Mem. Dr	State/Family	68	½ 2 bed units and ½ 3-bed units	696 applicants	
Tanners Ct.	State/Family	24	½ 2 bed units and ½ 3-bed units		
Colonial Man.	State/Family	26	4 1-bed units 22 2-bed units		
16 Jacobs St.	State/Family	4	2 2-bed units 2 3-bed units		
Goldberg Rd.	State/Family	15	Mix of 2 & 3 bed units		
349 Lowell St.	State/DMH	8	Group home	NA – DMH referrals	NA – DMH referrals
509 Lowell St.	State/DDS	8	Group home		
347 Lowell St.	State/DMH	6	Group home		
63 Andover	State/DMH	4	Group home		
Total		509			

Source: Peabody Housing Authority, as of January 2, 2019.
*Applicants are served by date of application; however, as allowed by both state and federal policies, local applicants go ahead of non-local applicants on the waitlist, however, there are other priority applicants including cases of emergency shelter needs, domestic abuse, and veterans for example.
**Projects directed to seniors also serve those who are younger and disabled, typically involving approximately 13.5% of the units.

PHA also administers 337 Section 8 Housing Choice Vouchers. Another 148 additional vouchers are available from other state-aided rental assistance programs. These rental subsidies are provided to qualifying households renting units in the private housing market, filling the gap between an established market rent – the Fair Market Rent (FMR) – and a portion of the household's income.[15] Preference is granted to applicants who are veterans or reside/are employed in Peabody, and approximately 60% of the voucher holders are from Peabody. Other priority applicants include the homeless, victims of domestic abuse, those with significant medical emergencies, etc. There is a considerable wait for these housing vouchers through the state's Centralized Waiting List for State Housing (referred to as CHAMP).

3.4 Priority Housing Needs

The City intends to continue its focus on increasing the supply of housing at a variety of levels of affordability, including both rental and homeownership options. Many of the existing affordable units are included in the Subsidized Housing Inventory, summarized in Table 3-33, or rented on the private market through rental subsidy programs that make up the difference between a fair market rent and what a qualifying household can afford. There are other existing privately-owned units that, while not subsidized, should still be preserved to the greatest extent possible as they provide some level of relative affordability and help diversify the housing stock.

The City will continue to work with private sector stakeholders to devise and implement strategies that preserve and produce a broad range of affordable housing options. It should be noted that specific strategies and production goals to meet priority housing needs are detailed in Sections 5 and 6 of this Housing Production Plan.

Based on input from a wide variety of sources including demographic, economic and housing characteristics and trends (Section 3.1, 3.2 and 3.3); the City's Consolidated Plan for 2015-2019 required by HUD for federal funding; the Master Plan; 2013 Housing Production Plan; and other prior planning efforts; the following priority housing needs have been identified:

- ***Increase the number of affordable units***

  Given the substantial numbers of residents who are paying too much for their housing (see Table 3-31) and the gaps between the need and supply of existing housing calculated in Tables 3-29 and 3-30, there is a pressing need to produce more subsidized housing units in Peabody. The major obstacle to meeting these underserved needs is the gap between the level of need and the resources available.

  Both rental and ownership housing are needed to encourage a mix of housing types in response to diverse housing needs. There is a clear need for rental units for those with lower-paying jobs, many in City's service economy, who are encountering serious difficulty finding housing that they can afford in Peabody. Because state housing subsidy funds are almost exclusively directed to rental housing, because the City might be at risk of losing up to 472 rental housing units in its Subsidized Housing Inventory (SHI), and because the City places the highest priority on meeting the housing needs of its most financially vulnerable citizens; this Housing Needs Assessment identifies the creation of new rental units as the top priority.

  Efforts to provide starter homes for first-time homebuyers who invest in the community's neighborhoods are also needed. Market conditions have placed the purchase of homes beyond the financial means of low and moderate-income households, and families need opportunities

[15] The 2020 Fair Market Rents (FMRs) for the Boston metropolitan area by unit size include: efficiency = $1,715, one-bedroom = $1,900; two-bedroom = $2,311, three-bedroom = $2,880, four-bedroom = $3,131,

to "buy up" as their families grow. Infill development, cluster development, and the redevelopment/reuse of existing properties in partnership with non-profit organizations and private builders offer the best options for increasing affordable homeownership opportunities in Peabody.

Indicators of Need for Rental Units:
Almost one-fifth of all household earned less than $25,000, including one-third of all renters. These households can afford no more than about $625 per month, not including utility costs, making it extremely difficult if not impossible to find affordable market rentals without spending too much on housing.

Peabody's renters are in fact spending too much for their housing. Based on 2015 estimates, there were 7,925 renter households and of these 3,880 or 49% were experiencing cost burdens in that they were spending more than 30% of their income on housing costs and of these, 1,945 or almost one-quarter had severe cost burdens as they were spending more than half of their income on housing.

Using the conservative listings advertised in December 2018 in internet listings, a one-bedroom unit renting for $1,500 would require an income of $66,000, assuming $150 per month in utility bills and housing expenses of no more than 30% of the household's income. This income is comparable to the City's median household income based on 2017 census estimates and the 80% of area median income level for a two-person household in 2018. It is considerably higher than the median income of renter households of $39,912.

Someone earning minimum wage of $12.00 for 40 hours per week every week during the year would still only earn a gross income of only about $25,000. Households with two persons earning the minimum wage would still fall far short of the $66,000 income level needed to afford a market rent of $1,500. While there are rents that fall below this level, particularly subsidized rents, market rents tend to be beyond the reach of these lower wage earners.

Renting an apartment in the private housing market also requires a substantial amount of upfront cash. Most apartments require first and last month's rent plus a security deposit. For a $1,500 apartment, that totals as much as $4,500 in up-front cash, an amount that many prospective tenants do not have available.

There are 2,525 renter households earning at or below 30% MFI, 1,405 who are spending more than half of their income on housing costs. These households are likely juggling the costs of housing with other critical needs such as food and medication and should be a major focus of the City's housing production efforts.

Calculations in Section 3.3.5 (Table 3-30) indicate that there has been a shortage of rental units for those in the very lowest income levels with a deficit of 1,790 units for extremely low-income households earning less than 30% of area median income and another 1,055 units for those earning between 30% and 50% of area median income, referred to by HUD as very low-income households. Rental subsidy programs typically target these populations.

The 2010 vacancy rate for rental units was 5.1%, reflecting extremely tight market conditions with little unit availability besides normal market turnover. The

2017 census estimates indicate an even lower rate of 0.9%

The number of *seniors* 65 years of age and older grew by 58% between 1990 and 2010, from 6,655 to 10,520 residents, while the population as a whole increased by only 9.0%. Of particular note were the frail elderly of at least age 85 who increased by 249% during these decades. The 2017 census estimates suggest further increases of older adults to 10,988 residents and 20.9% of the population.

Metropolitan Area Planning Council (MAPC) projections suggest that those 65 years of age or older will increase to 16,433 residents by 2030 to comprise almost 29% of all residents. This represents a growth rate of 56%. Clearly housing alternatives to accommodate this increasing population of seniors – such as more handicapped accessibility, housing with supportive services, and units without substantial maintenance demands – should be considered in housing planning efforts.

More than half (51.3%) of seniors age 65 or older who rent were spending too much, more than one-quarter (32.5%) spending more than 50% of their income on housing.

Most seniors earning fixed incomes and relying substantially on Social Security find that when they lose their spouse, their income may not be sufficient to afford their current housing and other expenses.

The Council on Aging indicated that Peabody has been designated by the state as an Age-Friendly Community and local priorities include resolving problems related to transportation, social isolation, and affordable housing for area seniors.

There are typically at least three-year average waits for *seniors* applying to live in public housing who are from Peabody.

The Council on Aging receives a great many requests for housing assistance and identifies these long waits is as one of the major problems that seniors confront when they decide they are ready to downsize. They also suggest that some seniors who move into market rentals in privately sponsored developments, such as Brooksby Village or Terrace Estates, find that they are spending through their financial assets at a rapid rate given high rents.

In 2010, the City commissioned the Affordable Assisted Living Facility Study Group to explore the feasibility of building supportive housing for seniors on the site of its Torigian Community Life Center. The study described an increasingly older and frail population of low-income seniors, many who are medically fragile. Of those seniors who participated in the study, 60% demonstrated a moderate to significant level of frailty. In such a population, a chronic illness resulting in hospitalization, a fall with injury, or even a small shift in daily functioning would likely seriously compromise an individual's ability to live independently.

Families who rent were also confronting problems affording their housing with 71.5% and 52.9% of small and large families who earn at or below 80% of area median income, respectively, encountering costs burdens including 30.3% and 23.5%, respectively, paying more than half of their income on housing.

There were more than 5,350 households who were *disabled* and had some type of housing problem, for the most part spending too much on their housing. Of these, 4,985 or 93.2% were earning at or below 80% of area median income. Those with disabilities are among the most vulnerable residents in any community given their frequent reliance on Social Security Disability Income and difficulty in finding housing that is not only affordable but also provides sufficient accommodations for their disabilities.

The wait for a Peabody Housing Authority (PHA) *family* rental unit is at least three years for Peabody residents.

Indicators of Need for Ownership Units:
Only 3.9% or 47 units in the City's Subsidized Housing Inventory (SHI) are directed to new homeowners.

About one-fifth of all renters earn enough to perhaps qualify for first-time homebuyer opportunities if they became available.

Housing remains expensive. A review of units that were sold between June and December 7, 2018 indicated that only seven single-family homes and five condominiums sold below $200,000 and were therefore relatively affordable to those earning at or below 80% AMI. Additionally, only another 11 single-family homes and 23 condos sold between $200,000 and $300,000 during this period. Altogether these sales represented only 12.4% of all sales.

The median single-family home price as of November 2018 was $431,000 and would require a household to earn approximately $116,278 if they were able to access 95% financing. In the case of a 20% down payment, a lower income of about $98,188 would be required that is still considerably higher than the median household income of $65,085 or even the median income for homeowners of $86,644 based on 2017 census estimates.

The median condo price was $325,000 as of November 2018, requiring an income of approximately $95,519 with 5% down and $81,878 with the 20% down payment.

In the case of the single-family home, there is an affordability gap of $145,000, the difference between what the median income earning household could afford of $286,000 (based on 80% financing) and the median price of $431,000.

In regard to condos, the affordability gap is $76,000, the difference between what the median income earning household can afford, or $249,000 (based on 80% financing), and median priced condo of $325,000.

The entry costs for homeownership force first-time homebuyers to frequently look elsewhere for housing they can afford to buy or search for very limited rental opportunities. Without a subsidized mortgage, households have to come up with a substantial amount of upfront cash, often up to 20% of the purchase price, blocking many who seek to own a home. Credit problems also pose substantial barriers to homeownership.

While condo prices are lower, it can be very difficult to obtain financing for condominiums and monthly fees raise housing expenses, limiting the amount that can be borrowed.

Prior generations have had the advantage of GI loans and other favorable mortgage lending options with reasonable down payments. Also, in prior years the average home price to average income ratio was much lower than it is today, making homeownership more accessible. Given current economic conditions, the ability to obtain financing is more challenging for today's first-time homebuyers without subsidized ownership.

The 2010 vacancy rate for homeownership units was 1.0%, reflecting extremely tight market conditions. This rate increased only modestly to 1.1% based on 2017 census estimates.

Calculations in Section 3.3.5 suggest that there were an estimated a deficit of 2,940 affordable ownership units for those earning at or below 80% AMI and an additional deficit of 695 affordable units for those earning between 80% and 100% AMI.

Peabody's Consolidated Plan for 2015-2019, required for federal funding, includes a number of high priority objectives, one being to improve access to affordable homeownership for low-income households, defined by HUD as earning at or below 80% AMI.

Peabody's Council on Aging noted that many seniors who own their homes are finding it very challenging to keep up with increases in housing costs such as property taxes and utility bills. Many are attached to their homes and the community, including COA services, but some are forced to find housing that better meets their needs and pocketbooks elsewhere.

- ***Preserve the existing affordable housing stock***
  The City also plans to take some action to preserve existing affordable units, whether they be subsidized or not, to benefit low and moderate-income individuals and families. The emphasis will therefore be on pursuing the redevelopment and substantial rehabilitation of existing buildings.

  While the City can currently count approximately 2,104 units as part of its Subsidized Housing Inventory (SHI), these are only units that meet all of the rigorous standards of the state – the big "A" affordable units. Many actual affordable units – what is commonly referred to as little "a" affordable units – are unsubsidized and part of the private housing stock. In fact, private landlords are the greatest provider of affordable housing in Peabody as many keep rents at artificially low levels to maintain good tenants. Efforts to help property owners maintain these little "a" affordable units are a major priority for the City.

  Additionally, many low and moderate- income homeowners lack sufficient resources to properly maintain their homes and address substandard housing conditions. Improvements should incorporate modifications to improve handicapped accessibility and eliminate lead-based paint and housing code violations. In some cases, additional funding is required to maintain a property's historic character as well.

  Indicators of Need:
  The number of two to four-unit structures stayed about the same from 1990 to 2010, at about 3,300 units, but declined in proportion to total housing units from 18.1% to 15.5% by 2010

despite a housing growth rate of 14.1%. The 2017 census estimates suggest a modest decline in two-family homes but a significant increase in three to four-family dwellings. This inventory of small, multi-family homes represents a valuable segment of the city's existing housing stock. Many of these units are probably more affordable, as private landlords, particularly owner-occupied ones, tend to value good tenants and frequently maintain rents at below market to keep them. In addition to providing somewhat more affordable private rentals, these properties can offer affordable homeownership stock as well since such owners benefit from rental income that helps them finance the property. Lenders typically count about 75% of the rental income towards mortgage underwriting calculations thus allowing a lower income homeowner to purchase a home. *Thus, small multi-family homes have offered important starter housing in many communities, cities in particular.*

More than one-fifth of Peabody's housing stock, 21.8% or 4,920 units, predates World War II. After a slow building period right after the war, Peabody experienced a building boom with almost 37% of its existing housing units built between 1940 and 1970. Because of the relative age of the existing housing stock and some past trends towards disinvestment, it is likely that many units have deferred housing maintenance needs, including remnants of lead-based paint. It is also likely that many units would benefit from energy conservation measures that reduce ongoing utility costs and make units more affordable in the long-term.

Based on a 2015 HUD report, half of Peabody households earned at or below 80% of median income with one-third earning below 50% of median. Moreover, those living below poverty levels have been increasing. These lower income households are particularly at risk of lead paint exposure as they are likely to reside in older housing units.

Owners of older, existing properties tend to have lower incomes than many of the community's relative newcomers and may need financial assistance to make necessary home repairs. Investor-owners of multi-unit properties may also require financial incentives and assistance to upgrade their units that are occupied by low or moderate-income households.

An increasingly aging population will have a greater need for home modifications for the disabled.

Peabody has a substantial population of lower income disabled residents who tend to encounter substantial challenges in finding housing that is both affordable and accessible.

The historic character of many housing units in Peabody, particularly in its older historic neighborhoods, needs to be preserved but given the expense can be a challenge for existing owners to undertake without technical and financial assistance.

The City operated a Housing Rehabilitation Program supported by Community Development Block Grant (CDBG) funding, and has most recently funded a Critical Repair Program managed by the North Shore Habitat for Humanity to provide technical and financial assistance to qualifying property owners who require critical health and safety repairs to their homes. The City will explore options to expand housing rehabilitation opportunities to include households up to 80% of the area median income.

- ***Prevent homelessness***

Providing stable and affordable opportunities for those transitioning out of shelters or special programs remains a very high priority as everyone has a right to a decent and stable home.

Indicators of Need:
The City's Five-Year Consolidated Plan for 2015-2019, as required by HUD for federal funding, emphasizes that homelessness remains a problem within the North Shore HOME Consortium region. The Consolidated Plan also points out that the lowest income households, particularly those earning at or below 30% AMI and spending too much for housing, are frequently living in overcrowded and substandard conditions that are only providing short-term housing solutions. The number of those in this situation, who are most at-risk of homelessness, is significant and growing.

The region's Continuum of Care, which focuses on efforts to prevent homelessness, sponsors an annual Point in Time (PIT) census of the homeless. It was determined in January 2019 that there were 731 homeless persons in the region, down significantly from 1,195 in 2010. Of these, 197 were single individuals that included eleven under the age of 24. There were also 161 homeless households with at least one child that included 491 total persons. Most of these families were living in emergency shelters.

As stated in the HUD Consolidated Plan, "Incomes are not sufficient to support rents that have skyrocketed over the past decade, and for those households who are able to make ends meet, the effect of a single event such as an illness, pregnancy, divorce, or job loss can mean the difference between being housed and becoming homeless.

The PIT census also counted 43 individuals who were living on the street with a split of 33 males and 11 females. Four of these individuals were found in Peabody. Soon after the census, the City identified between 16 and 18 people who were living outdoors in Peabody. Peabody opens an overnight emergency shelter on those nights when the temperature is determined to be life-threatening and has housed up to 15 people.

Additionally, a total of 153 individuals including 120 in families and 33 in single-person households were identified as "chronically homeless".[16] Chronically homeless individuals may also suffer from the effects of substance abuse and/or mental illness. A study by the National Coalition for the Homeless indicated that about 25% of the chronically homeless typically have mental health problems and 60% are drug dependent.

It should be noted that there were 1,260 people, including 540 adults and 720 children, being temporarily sheltered in hotels or motels or other temporary situations throughout the Consortium in 2015. This practice of sheltering families in motels because emergency shelters were filled has been closed.

The number and proportion of residents living below the poverty level has been increasing over the last several decades, and the 2017 census estimates suggest a doubling of these residents

[16] A chronically homeless person is defined as an unaccompanied homeless individual with a disabling condition who has either been continuously homeless for one (1) year or more or has had at least four (4) episodes of homelessness in the past three (3) years.

from 2,511 residents or 4.9% of the population in 2010 to 5,156 and 9.8%. While such a large increase may be questionable, it does demonstrate a holds.

Given the financial crisis with accompanying problems associated with high cost mortgages from predatory lenders and unemployment, some homeowners in Peabody have lost their homes or are confronting possible foreclosure. Foreclosures have also adversely affected tenants in multi-unit properties who are forced to move in search of affordable housing elsewhere. Peabody in fact has among the highest foreclosure rates in the state.

As Table 3-31 indicates, approximately 78% of the City's SHI units involve rentals. Based on the above listed indicators of need, this Housing Needs Assessment recommends that housing production goals incorporate a comparable focus on rental housing development. This focus on rental unit production is also based on the following important considerations:

- Target the needs of the community's most vulnerable residents with very limited financial means as rental housing is typically more affordable and requires less up-front cash.
- Invest local subsidy funds in support of greater numbers of households/occupants over time as rentals turnover more regularly than ownership units.
- Provide more appropriately sized units for increasing numbers of smaller households.
- Provide opportunities for some seniors who are "over-housed" and spending far too much on their housing to relocate to more affordable and less isolated settings, opening up their homes to families requiring more space.
- Leverage other funds, as state and federal resources are almost exclusively directed to rental housing development, family rentals in particular.
- Enhance the ability to qualify occupants for housing subsidies as state requirements for including units on the SHI make it very difficult for long-term homeowners to be eligible for subsidized or assisted housing.
- Provide opportunities for mixed-income housing where several different income tiers can be accommodated within the same project.
- Allow more units to be counted as part of the SHI and towards annual housing production goals as all units in a Chapter 40B rental development are eligible for inclusion in the SHI while only the actual affordable units can be included for homeownership projects.

Based on annual housing production goals of 115 units per year, based on projected year-round housing units when 2020 census figures are released, the following distribution of housing goals by priority needs are proposed:

Table 3-36: Summary of Housing Production Goals Based on Priority Needs

Type of Units	Target Populations	Annual Goals	5-Year Goals
Increase the number of affordable units @ 90% or 104 units		**104**	**520**
Rental housing @ 90% or	Seniors (20%)	19	95

94 units	Individuals & Disabled (20%)	19	95
	Families (50%)	47	235
	Homeless/At risk Populations (10%)	9	45
First-time homeownership @ 10% or 10 units		**10**	**50**
Preservation of existing housing stock (Housing Rehab Program) @10% of annual goal	Mix of Rental/Ownership	**11**	**55**
Total		**115**	**575**

4. CHALLENGES TO DEVELOPMENT

While Peabody has made considerable progress with respect to creating affordable housing, there continue to be formidable challenges to developing such housing including the following:

- ***Limited Developable Property***

  Because easily developable land is relatively rare in Peabody, vacant land is not frequently placed on the market and land costs are high. Most development in recent years has consisted of higher end single-family homes or luxury apartments. Despite the high cost, demand for these types of housing units continues, and developers often argue that in order to make a profit on developing such expensive properties they must construct high-priced units.

  The 2002 Master Plan includes a parcel-based build-out analysis that examines future residential development. The analysis found that 1,260 units can be developed on vacant parcels within the City; and approximately one-half of these are in subdivisions of ten lots or more. An additional 662 units can be developed on infill lots. The majority of vacant land is privately owned and located in the R1, R1A and R1B single-family zoning districts, which have minimum lot sizes of 20,000, 15,000, and 10,000 square feet, respectively.

  While these build-out conditions would expand the City's total housing stock by more than 10%, the perception persists that Peabody has little vacant land. This may be in part because many of the vacant parcels are located on land that would require significant and costly site work to develop. Also, many large parcels have been held for decades by institutions, such as the Eastman Gelatin Corporation and the Salem Country Club, and are unlikely to be developed in the immediate future.

  Moreover, it will be important to guide any future development to appropriate locations, maximizing density in some areas and minimizing the effects on the natural environment and preserving open space corridors and recreational opportunities. Therefore, changes to the City's Zoning Ordinance will be necessary which will consequently alter buildout calculations.

  Mitigation Measures: Because of the limited amount of developable property, it is all the more important that the new units that are created help diversify the housing stock, including providing greater affordability. This Plan suggests several zoning mechanisms to mandate and incentivize affordable units as well as strategies to promote more housing choices (see Section 6.2). This Plan also recognizes that much of future new development will involve the redevelopment of existing properties.

- ***Zoning***

  As is the case in most American communities, a zoning by-law or ordinance is enacted to control the use of land including the patterns of housing development. Peabody's land use pattern is essentially established with about 77% of the City's land zoned for residential use. Still the Master Plan estimated that about 35% of the City's total area includes vacant land, most of which is potentially developable. How the City plans for this new development, as well as potential redevelopment of existing properties, will be highly correlated with its land use policies that are driven primarily by the City's Zoning Ordinance.

In an effort to direct development to appropriate locations, the Zoning Ordinance allows various types of residential units in the following districts:

R-1, R-1A, and R-1B – Single-family residential development
R-2 – Single and two-family residential development
R-3, R-4, and R-5 – Multi-family residential development
Allows a mix of density standards and R-4 districts allow more intensive multi-family development including some commercial and retail uses by-right. The R-4 District also allows live/work units[17] by special permit. The R-5 district allows multi-family development by special permit of not more than an average of four (4) units or eight (8) bedrooms per acre.
MH – Mobile homes
BC – Central Business District that allows some mixed residential and commercial development or multi-family housing by special permit including live/work units.
B-N, B-N2 – Neighborhood Business Districts that allow single-family and two-family homes by-right.

Table 4-1: Minimum Required Lot Sizes (Square Feet)/Frontage Requirements (Linear Feet)

<table>
<tr><th>Unit Type</th><th>R-1</th><th>R-1A</th><th>R-1B</th><th>R-2</th><th>R-3</th><th>R-4</th><th>R-5</th></tr>
<tr><td>Single-family homes</td><td>20,000/125</td><td>15,000/125</td><td>10,000/100</td><td>5,000/50</td><td rowspan="3">10,000 750 sq. ft. bedroom</td><td rowspan="3">30,000 750 sq. ft./ bedroom</td><td rowspan="3">20 acres/ none</td></tr>
<tr><td>Two-family homes</td><td>Not allowed</td><td>Not allowed</td><td>Not allowed</td><td>7,500/50</td></tr>
<tr><td>Multi-family structures</td><td>Not allowed</td><td>Not allowed</td><td>Not allowed</td><td>Not allowed</td></tr>
</table>

Source: Peabody Zoning Ordinance, Section 7, Table 7.2.

Mitigation Measures: The City has amended its Zoning Ordinance to promote smart growth development and affordable housing, directing development to appropriate locations, particularly denser development, and offering incentives for the inclusion of affordable housing. These provisions include:

Accessory Apartments[18]
Accessory apartments, referred to as family accessory living areas (FALA), are allowed with building commissioner approval in all zoning districts, including those that do not allow new single-family development. The Ordinance limits the occupancy of such units to family members only and to no more than 700 square feet or 50% of the principal dwelling.

Cluster Development[19]
Cluster development, allowed by special permit, promotes a more efficient use of land by allowing the housing to be clustered while preserving significant amounts of open space. Only single-family home development is allowed however, where the maximum number of units is calculated by taking the total land area (exclusive of existing or proposed roads and other land not available to the developer) and dividing it by the minimum lot area for the zoning district. Frontage requirements are reduced by half or 50 feet, whichever is greater, and up to 50% of

[17] Live/work units are defined in Section 2 of the Zoning Ordinance as "a residential occupancy of a dwelling unit and adequate workspace accessible from the living area, reserved for, and regularly used by, one or more persons residing therein. Live/work differs from 'home occupation' in that the residential space is secondary or incidental to the work use."
[18] Peabody Zoning Ordinance, Section 6.7.
[19] Peabody Zoning Ordinance, Section 6.3.

the minimum requirements for setbacks and side and rear yards in the zoning district might be waived by the Planning Board. Also, up to two-thirds of the minimum lot area or 6,600 square feet, whichever is larger, might also be permitted and up to one-half of the minimum required might be waived (no less than 6,000 per lot) under certain circumstances including preserving open space and natural features of the property, providing active or passive recreation, establishing a buffer between new developments or neighboring uses and/or *promoting affordable housing*.

Mobile Homes[20]
Peabody allows mobile home units in its MH District that meet a number of specific requirements.

Inclusionary Zoning[21]
The purpose of adopting inclusionary zoning in Peabody was to increase the supply of rental and ownership housing for low and moderate-income households, to exceed the 10% affordable housing threshold under the state's Chapter 40B regulations, and to encourage a greater diversity and distribution of housing to meet the needs of families and individuals of all income levels. The Ordinance applies to the R-2, R-3, R-4, R-5, BN, DDD and BC Districts for all new residential developments (including the addition or conversion of existing buildings) of eight (8) units or more and to the R-1, R-1A and R-1B Districts for developments that produce 15 or more units.

The Ordinance requires that a minimum of 15% of the units be set-aside as affordable, meeting all state requirements under the Local Initiative Program (LIP), qualifying for inclusion in the Subsidized Housing Inventory (SHI). Units must be provided on-site, except under exceptional circumstances approved by City Council. If the off-site affordable units are not comparable to the market-rate units, a greater percentage of affordable units are required.

The City's Department of Community Development and Planning is responsible for the review, approval and enforcement of the required affordability restrictions as well as any condominium documents and fees. The Ordinance does not allow for the payment in-lieu of the construction of actual units by the developer. It does provide some incentives including some reductions in parking and minimum area requirements. Some language related to local preference will also have to be updated in compliance with current Local Initiative Program (LIP) guidelines.

The City also approved new zoning to allow new residential development in the Northshore Mall as part of a Residential Overlay District with a 20% affordability requirement.

This Housing Production Plan includes a number of additional strategies that are directed to reforming local zoning regulations and making them "friendlier" to the production of affordable housing and smart growth development. These strategies include modifying the inclusionary zoning, cluster development ordinance; promoting nontraditional housing models that provide greater housing choices to meet local needs; and pursuing 40R/40S smart growth zoning and mixed-uses in other appropriate areas. (see Section 6.2).

[20] Peabody Zoning Ordinance, Section 6.10.
[21] Peabody Zoning Ordinance, Section 6.11.

- ***Transportation***

  Peabody is located at the intersection of three major transportation corridors including I-495, I-95, and U.S. Route 1. The closest Massachusetts Bay Transit Authority (MBTA) commuter rail station is located in Salem, providing frequent service to and from Boston. Bus service is also available through the MBTA, which operates an express bus to the Haymarket area of Boston and others involving destinations to and from the Liberty Tree Mall in Danvers, the Salem Depot and Lynn. Paratransit bus service for the elderly and disabled is also provided by The Ride, operated by the MBTA in Peabody. City-operated transportation services are also provided for seniors through the Council on Aging.

  It should also be noted that 81% of workers drove alone to work (down from 85% in 2010), another 7.9% carpooled (up from 7.5% in 2010) and 3.6% used public transportation (up from 2.3%). The average commuting time was 26.5 minutes, suggesting employment opportunities were typically located either in Peabody or nearby on the North Shore.

  Owning and maintaining a car is beyond the means of many low and moderate-income households. Continued efforts to direct housing in areas that are closer to public transportation and expand transportation to support growth areas will be a required component of a coordinated service delivery system.

  Mitigation Measures: One of the strategies included in this Housing Plan is to continue to promote mixed-use "above the shop" development that has the potential for reducing at least some reliance on the automobile (see strategy 6.2.6). Opportunities to direct development to areas that are most conducive to higher densities, in that they are closer to the Downtown and other commercial areas may serve to reduce transportation problems somewhat.

- ***Community Perceptions***

  Development proposals often run into community opposition for a variety of reasons including increased traffic, aesthetic concerns, impact on the school population, perceived need by the City, etc. While these issues are generally resolved during the permitting process, they tend to slow the pace of development.

  Mitigation Measures: Peabody will continue to provide ongoing community outreach to better inform local leaders and residents on the issue of affordable housing, to help dispel negative stereotypes, provide up-to-date information on new opportunities and to garner political support (see details on this strategy in Section 6.1.2). This Housing Production Plan also offers an excellent opportunity to showcase the issue of affordable housing, providing information to the community on local needs and proactive measures to meet these needs.

  It will be important to continue to be sensitive to community concerns and provide opportunities for residents to not only obtain accurate information on housing issues, whether they relate to zoning or new development, but have genuine opportunities for input. Moreover, this Plan proposes that the City hold at least annual housing summits to provide forums for local leaders to share information about the status of affordable housing initiatives to better promote municipal communication and cooperation in the implementation of various strategies as well as for local leaders to obtain ongoing training related to affordable housing. Better communication through cable access programming and social media is also proposed.

- ***Limited Subsidies***

  As the City continues to explore opportunities to be proactive in the creation of affordable housing, it is faced with widening affordability gaps between the incomes of residents and increasing housing costs. Under current budgetary constraints, it is unlikely that the City will be able to provide substantial amounts of local funding for affordable housing projects. Nevertheless, the City is committed to keeping a balance between maintaining basic services on limited funds while continuing to work toward the long-term goals of creating affordable housing and improving the quality of life for Peabody residents.

  Mitigation Measures: This Housing Plan provides guidance on the use of Community Preservation Funds, CDBG and other funding for affordable housing initiatives that will enable the City to strategically invest its limited resources in support of the production of new affordable units to leverage other public and private funding sources and boost the local economy.

- ***Infrastructure***

  While the City's zoning does not prevent the development of affordably-priced units on vacant land, most potentially developable vacant parcels are subject to infrastructure issues, including the availability of water, pressures on the City's aging utility infrastructure, and increased traffic on already overburdened roads. The Downtown in particular has been prone to flooding, seriously challenging existing properties, new development and infrastructure.

  Mitigation Measures: The City's Department of Public Services requires developments to address the impact they will have on the infrastructure so that new projects do not place an undue strain on City services. Occasionally, proposed projects cannot mitigate the negative effects of development, particularly those proposed for sites that are located on marginal land or in neighborhoods with a history of infrastructure problems. In such cases, the City withholds approval.

5. AFFORDABLE HOUSING PRODUCTION GOALS

The Massachusetts Department of Housing and Community Development (DHCD) introduced the Planned Production Program in December 2002, in accordance with regulations that were meant to provide municipalities with greater local control over housing development. Under the Program, cities and towns were required to prepare and adopt a Housing Plan that demonstrated the production of an increase of .75% over one year or 1.5% over two-years of its year-round housing stock eligible for inclusion in the Subsidized Housing Inventory.[22] If DHCD certified that the locality had complied with its annual goals or that it had met two-year goals, the City could, through its Zoning Board of Appeals, potentially deny what it considered inappropriate comprehensive permit applications for one or two-years, respectively.[23]

Changes to Chapter 40B established some new rules.[24] For example, Planned Production Plans are now referred to as Housing Production Plans. Moreover, annual goals changed from 0.75% of the community's year-round housing stock to 0.50%, meaning that Peabody will have to now produce at least 111 affordable units to meet annual production goals, still a formidable challenge. If the City produces 222 affordable units in any calendar year, it will have a two-year period during which it will be able to likely deny 40B applications that it determines do not meet local needs, without the developer's ability to appeal the decision.

Based on projected growth through about March 2020 when the census figures are typically compiled, that is informed by building permit activity and pipeline development, it is likely that the year-round housing figure will increase from 22,135 units to no more than about 23,000 units, which would suggest an increase in the annual housing production goal to about 115 units per year. It would also result in the City coming very close to the 10% affordability goal, at about 9.9%, assuming no further fall-off of expiring use units and the development of the potential projects listed under Section 3.3.

Using the priority needs established in Section 3.4 and the strategies summarized under Section 6, the City of Peabody has developed a Housing Production Program to chart affordable housing activity over the next five (5) years. The projected goals are best guesses at this time, and there is likely to be a great deal of fluidity in these estimates from year to year. The goals are based largely on the following criteria:

- At a minimum, at least fifty percent (50%) of the units that are developed on publicly-owned parcels should be affordable to households earning at or below 80% of area median income. The rental projects will also target households earning at or below 60% of area median income and lower depending upon subsidy program requirements. It should also be noted that the City

[22] Massachusetts General Law Chapter 40B, 760 CMR 31.07 (1)(i).

[23] If a community has achieved certification within 15 days of the opening of the local hearing for the comprehensive permit, the ZBA shall provide written notice to the applicant, with a copy to DHCD, that it considers that a denial of the permit or the imposition of conditions or requirements would be consistent with local needs, the grounds that it believes have been met, and the factual basis for that position, including any necessary supportive documentation. If the applicant wishes to challenge the ZBA's assertion, it must do so by providing written notice to DHCD, with a copy to the ZBA, within 15 days of its receipt of the ZBA's notice, including any documentation to support its position. DHCD shall review the materials provided by both parties and issue a decision within 30 days of its receipt of all materials. The ZBA shall have the burden of proving satisfaction of the grounds for asserting that a denial or approval with conditions would be consistent local needs, provided, however, that any failure of the DHCD to issue a timely decision shall be deemed a determination in favor of the municipality. This procedure shall toll the requirement to terminate the hearing within 180 days.

[24] Massachusetts General Law Chapter 40B, 760 CMR 56.00.

can provide CPA assistance to subsidize units for those earning between 80% and 100% of area median income, sometimes referred to as "community housing" units, however these units cannot count as part of the Subsidized Housing Inventory.

- Projections are based on no fewer than four (4) units per acre. However, given specific site conditions and financial feasibility it may be appropriate to decrease or increase density as long as projects are in compliance with state Title 5 and wetlands regulations.

- Because housing strategies include development on privately-owned parcels, production will involve projects sponsored by private developers through the standard regulatory process or the "friendly" comprehensive permit process. The City will continue to work with these private developers to fine-tune proposals to maximize their responsiveness to community interests and to increase affordability to the greatest extent feasible, potentially infusing funding from the CPA, CDBG, HOME or the proposed Affordable Housing Trust Fund where appropriate.

- The projections involve a mix of rental and ownership opportunities that reflect the priority housing needs in the Housing Needs Assessment (see Section 3.4) with most of the units directed to rentals. The City will work with developers to promote a diversity of housing types targeted to different populations with housing needs including families, older adults and other individuals with special needs to offer a wider range of housing options for residents.

Table 5-1: Peabody Housing Production Program

Strategies by Year Name/Housing Type	Affordable Units < 80% AMI	Ineligible for SHI	Total # Units*
Year 1 – 2021			
The Residences of Farm Avenue//"friendly 40B"/rental**	116	0	116
Critical Repair Program/homeownership	5	0	5
Inclusionary zoning/160 Main Street/ homeownership	2	10	12
Inclusionary zoning/190R Newbury Street/ Rental	13	51	64
Inclusionary zoning/7 Dearborn Street/ rental	27	153	180
Subtotal	*163*	*214*	*377*
Year 2 – 2022			
Certified under Year 1			
Development of City-owned property - 70 Endicott St./"friendly 40B"/rental**	1	7	8
40B development and nontraditional housing models – mixed-use "Above the Shop" housing/rental**	25	0	25
Inclusionary zoning/rental	9	51	60
Critical Repair Program/homeownership	15	0	15
Subtotal	*50*	*58*	*108*
Year 3 – 2023			
Certified under Year 1			
"Friendly 40B" development/rental**	29	0	29
Nontraditional housing models – group home /special needs rental housing	8	0	8
Nontraditional housing models – adaptive reuse/rentals**	9	0	9
Inclusionary zoning/homeownership	12	68	80
Nontraditional housing models --"Above the Shop" artist live/workspace/rental**	12	0	12
40R/40S zoning/rental**	35	0	35
Critical Repair Program/homeownership	15	0	15
Subtotal	*120*	*68*	*188*
Year 4 – 2024			
"Friendly 40B" development/rental**	60	0	60
Nontraditional housing models – cottage-style development in pocket neighborhood/ Ownership (also involving changes to cluster Development ordinance)	9	51	60
Nontraditional housing models --"Above the Shop" mixed-use development/rental	22	0	22
Convert existing housing to long-term affordability/homeownership	6	0	6
Nontraditional housing models – group home /special needs rental	8	0	8
Accessory apartments/rental	0	10	10
Critical Repair Program/homeownership	15	0	15

Subtotal	*120*	*61*	*181*
Year 5 – 2025			
40R/40S zoning/homeownership	10	30	40
Nontraditional housing models – senior congregate housing with services/rental**	75	0	75
Nontraditional housing models – group home /special needs housing	5	0	5
Convert existing housing to long-term affordability/homeownership	10	0	10
Inclusionary zoning/homeownership	8	42	50
Accessory apartments/rental	0	10	10
Critical Repair Program/homeownership	15	0	15
Subtotal	*123*	*82*	*205*
Total	**576**	**483**	**1059**

* The total number of units includes market rate units in addition to the affordable and SHI ineligible ones.
** All units in a Chapter 40B rental development count as part of the SHI. All units in a Chapter 40R rental development can also count in the SHI if the ordinance includes this requirement.

6. HOUSING STRATEGIES

The strategies outlined below are derived primarily from the 2002 Master Plan, 2013 Housing Production Plan, Housing Needs Assessment in Section 3, local housing goals and Peabody's experience in promoting affordable housing to date as well as those of other comparable localities in the area and throughout the Commonwealth. The strategies are grouped according to those that build local capacity to promote affordable housing and priority housing needs. A summary of these actions is included in Table 1-1.

The strategies also reflect state requirements that ask communities to address all of the following major categories of strategies to the greatest extent applicable:[25]

- *Identification of zoning districts or geographic areas in which the municipality proposes to modify current regulations for the purposes of creating affordable housing developments to meet its housing production goal;*
    - Pursue 40R/40S smart growth zoning and other overlay districts (strategy 6.2.2)

- *Identification of specific sites for which the municipality will encourage the filing of comprehensive permit projects;*
    - Promote "friendly 40B" development (strategy 6.2.3)
    - Make suitable public property available for affordable housing (strategy 6.2.4)
    - Promote nontraditional housing models (strategy 6.2.5)

- *Characteristics of proposed residential or mixed-use developments that would be preferred by the municipality;*
    - Pursue 40R/40S smart growth zoning and other overlay districts (strategy 6.2.2)
    - Promote nontraditional housing models (strategy 6.2.5)
    - Consider changes to the cluster development ordinance to better promote affordable housing (strategy 6.2.6)
    - As indicated in strategy 6.2.4, the City should explore the acquisition of property and work with developers to create affordable housing in line with smart growth principles including:

        - The redevelopment of existing structures,
        - Infill site development,
        - Development of housing with existing or planned infrastructure,
        - Parcels large enough to accommodate clustered housing,
        - Mixed-use properties in the downtown, village areas or along commercial corridors, and
        - Buffer between adjacent properties.

- *Municipally owned parcels for which the municipality commits to issue requests for proposals to develop affordable housing.*

[25] Massachusetts General Law Chapter 40B, 760 CMR 56.03.4.

    - Make suitable public property available for affordable housing (strategy 6.2.4)

- *Participation in regional collaborations addressing housing development*
    - Promote existing regional housing programs and services directed to assisting residents (strategy 6.1.2)
    - Participation in the North Shore HOME Consortium and Gloucester/Haverhill/Salem/Essex County Continuum of Care

It should be noted that a major goal of this Plan is not only to strive to meet the state's 10% affordability goal under Chapter 40B, but to also address the wide range of local needs. Consequently, there are instances where housing initiatives might be promoted to meet these needs that will not necessarily result in the inclusion of units in the Subsidized Housing Inventory (examples potentially include the promotion of accessory apartments, mixed-income housing that includes "community housing" or "workforce housing" units, and potential support for mobile homes)[26].

Within the context of these compliance issues, local needs, existing resources, affordability requirements and housing goals, the following housing strategies are proposed. ***It is important to note that these strategies are presented as a package for the City to prioritize and process, each through the appropriate regulatory channels.*** Moreover, these actions present opportunities to judiciously invest funding to subsidize actual unit production (predevelopment funding and/or subsidies to fill the gap between total development costs and the affordable rent or purchase prices) and leverage additional resources, modify or create new local zoning provisions and development policies, help preserve the existing affordable housing stock, and build local capacity.

6.1 Strategies That Build Local Capacity to Promote Affordable Housing

Peabody is a small city and, unlike many larger ones, does not have substantial state or federal funding to support local housing initiatives on an ongoing basis. Nevertheless, Peabody has long had a local structure in place to coordinate housing activities.

For example, the City's *Department of Community Development and Planning* is the City's chief planning and development agency. The Department staff develops plans, policies, programs and projects related to the City's physical development, economic development, affordable housing, historic preservation and environmental conservation. In regard to affordable housing, the Department has administered a Housing Rehabilitation Program directed to qualifying property owners who need financing and technical assistance to make necessary home improvements. Cuts in CDBG and HOME Program funding have caused the City to shift its priority to investor owners of rental units that are occupied by income-eligible tenants in an effort to retain this very vulnerable yet still affordable rental housing stock.

The Department of Community Development and Planning also staffs the Peabody Community Development Authority (CDA) that is responsible for overseeing urban renewal and community development planning and implementation and administers a Business Loan Program. This Program finances fixed assets that create job opportunities and add to the tax base. Moreover, the Department staffs the North Shore HOME Consortium and Gloucester/Haverhill/Salem/Essex County Continuum of Care (CoC).

[26] Community housing generally refers to units directed to those earning between 80% and 100% AMI, whereas workforce housing refers to units directed to those earning between 80% and 120% AMI or even higher, but still priced out of the private housing market.

The City of Peabody also approved the *Community Preservation Act*, which provides important local funding for affordable housing.[27] In November 2001, Peabody residents adopted the Community Preservation Act with a surcharge of 1%. Between 2002 and 2018, $1,667,100 had been allocated to housing-related activities, 12.8% of the total CPA allocation of $13,069,725 during that period.

Other local and regional entities also bolster the City's housing efforts, working in partnership with the City. These entities have included the Peabody Housing Authority, Habitat for Humanity of the North Shore, and Citizens for Adequate Housing (CAH), but other capable entities, including developers and service providers, are also interested in working with the City in the implementation of this Housing Plan and have been involved in this planning process. These organizations are described in Appendix 1.

This *Housing Production Plan* will also boost the City's capacity to promote affordable housing as it provides the necessary blueprint for prioritizing and implementing affordable housing initiatives based on documented local needs, community input and existing resources. The Plan will also provide important guidance on how to invest local funding for housing and serve as a comprehensive resource on housing issues in Peabody that can be readily updated as necessary.

To further build local capacity to meet local housing needs and production goals, the City will explore the following activities. While such actions do not directly produce affordable units, they help build important local support for new affordable housing initiatives.

6.1.1 Establish and Capitalize a Municipal Affordable Housing Trust Fund

Timeframe: Years 1-2
Responsible Parties: Mayor and City Council

Current Status: On June 7, 2005, the Municipal Affordable Housing Trust Fund Act was enacted, which simplified the process of establishing housing funds that are dedicated to subsidizing affordable housing. The law provides guidelines on what trusts can do and allows communities to collect funds for housing, segregate them out of the general budget into an affordable housing trust fund, and use these funds without going back to City Council for approval. It also enables trusts to own and manage real estate, not just receive and disburse funds. The law further requires that local housing trusts be governed by at least a five-member board of trustees, appointed and confirmed by City Council. Per statute, the Mayor must be one of the members of the Trust. While the new trusts must be in compliance with Chapter 30B, the law which governs public procurement as well as public bidding and construction laws, it is likely that most trusts will opt to dispose of property through a sale or long-term lease to a developer so as to clearly differentiate any affordable housing development project from a public construction one.

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[27] In September of 2000, the Community Preservation Act (CPA) was enacted to provide Massachusetts cities and towns with another tool to conserve open space, preserve historic properties and provide affordable housing. This enabling statute established the authority for municipalities in the Commonwealth to create a Community Preservation Fund derived from a surcharge of up to 3% of the property tax with a corresponding state match of up to 100% funded through new fees at the Registry of Deeds and Land Court. Once adopted the Act requires at least 10% of the monies raised to be distributed to each of the three categories (open space, historic preservation and affordable housing), allowing flexibility in distributing the majority of the money to any of the three uses as determined by the community. The Act further requires that a Community Preservation Committee of five to nine members be established, representing various boards or committees in the community, to recommend to the legislative body, in this case the City Council, how to spend the Community Preservation Fund.

The City of Peabody has collected funding to support affordable housing through its inclusionary zoning requirements that previously allowed developers to pay cash in-lieu of constructing actual units. While this cash-out payment option has been eliminated in the ordinance, over $1 million in funding was raised. Over four hundred thousand went to assist Habitat for Humanity to acquire three abandoned parcels to create eight affordable homeownership units; the remaining funds were used to help fund the preservation of the affordability of the units at Tannery I.

Some communities have decided to commit CPA funding on an annual basis to Housing Trust Funds without targeting the funding to any specific initiative. For example, the Towns of Grafton and Sudbury have been directing 10% of their annual CPA allocation to their Trust Funds. The Trusts are encouraged to apply for additional CPA funds for specific projects. Scituate's Town Meeting funded its Housing Trust with $700,000 of Community Preservation funding from its community housing reserves. The Town of Harwich has committed lease payments from its cell tower as well as sale proceeds of a Town-owned property (fetching more than a million dollars) to its Housing Trust Fund.

Next Steps: The Peabody City Council should consider establishing a Municipal Affordable Housing Trust Fund through a City bylaw and appoint members of the Board of Trustees. It is advisable that the City supplement its formal request to establish a Housing Trust with further information to educate residents and other local leaders on the benefits of the Trust. Detailed information on forming a Municipal Affordable Housing Trust Fund is included in a guidebook prepared by the Massachusetts Housing Partnership.[28]

This Housing Trust would serve as the City's permanent committee for overseeing housing issues and the implementation of the Housing Production Plan, managing the Affordable Housing Trust Fund, defining policy issues that are in the public interest, serving as the City's development review committee, and working with the Planning Board on establishing new zoning to promote affordable housing. This entity would be staffed by the Department of Community Development and Planning. **Importantly, it could also be the vehicle for reintroducing a Housing Rehabilitation Program similar to the one that operated a number of years ago.[29]**

The Mayor, with staff support from the Department of Community Development and Planning, will work with City Council to obtain approval to establish the Peabody Affordable Housing Trust and appoint members to the Trust. While not required under statute, it is recommended that the new Board of Trustees execute a Declaration of Trust that will be recorded at the Registry of Deeds to provide a record of the establishment of the Trust, including its powers and authority.

The Housing Trust should also consider establishing Housing Funding Guidelines that articulate the housing goals, eligible activities and funding priorities of the Trust. The City of Beverly has a good model for such Guidelines.

Once established, the Peabody Affordable Housing Trust will discuss the prospects of securing CPA funding on an annual basis with the Community Preservation Committee in an amount at least equivalent to the minimal annual allocation for affordable housing or 10%. This funding would also require City Council approval.

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[28] Massachusetts Housing Partnership, "Municipal Affordable Housing Trust Guidebook: How to Envision, Shape, Get Support and Succeed with Our Community's Local Housing Trust", updated 2018.

[29] CPA funds could not be used unless a property was acquired or built with CPA funding.

Developers may also contribute to the Housing Fund through negotiations on comprehensive permit projects or other local developments. Developers make additional contributions to these funds if the profits are more than the 20% allowed under Chapter 40B.

Resources Required: The process of creating the Affordable Housing Trust Fund is relatively straightforward and can be coordinated by the Department of Community Development and Planning in concert with the Mayor and City Council. Once established, it will be incumbent upon the City to support efforts to capitalize the Fund including a designated amount of CPA funding per year in support of affordable housing initiatives. Other resources include staff time from the Department of Community Development and Planning and the donated time of volunteers to serve as members of the Housing Trust.

6.1.2 Conduct Ongoing Community Outreach and Education

Timeframe: Years 1-2
Responsible Parties: Sponsors of affordable housing-related initiatives including the proposed Housing Trust

Current Status: Because most of the housing strategies in this Housing Plan rely on local approvals, including those of City Council, community support for new initiatives has and will continue to be essential. Strategic efforts to better inform residents and local leaders on the issue of affordable housing and specific new initiatives can build support by generating a greater understanding of the benefits of affordable housing, reducing misinformation, and dispelling negative stereotypes. These outreach efforts are mutually beneficial as they provide useful information to community residents and important feedback to local leaders on concerns and suggestions.

It should be noted that federal funding through the Community Development Block Grant (CDBG) and HOME Programs require substantial local outreach to notify residents on local plans for investing these funds and obtain feedback. Citizen participation is key to obtaining these funds.

The Department of Community Development and Planning held a public meeting on June 10, 2019 to ensure important civic engagement of local leaders and community residents in the preparation of this Housing Plan.

Next Steps: The City of Peabody has sponsored opportunities for such input in the past but will boost community education efforts. The presentation of this Housing Production Plan offers an opportunity to bring attention to the issue of affordable housing, providing information on housing needs and proposed strategies that can help attract community support for affordable housing initiatives. Other education opportunities include:

- *Forums on specific new initiatives*
  As the City develops new housing initiatives, the sponsoring entity will hold community meetings to insure a broad and transparent presentation of these efforts to other local leaders and residents. These meetings not only provide important information on what is being proposed but also offer opportunities for feedback.

- *Housing summits*

Most communities lack an effective mechanism for promoting regular communication among relevant municipal boards and committees on issues related to affordable housing. Having a forum to share information on current housing issues will help foster greater collaboration among these entities. Additionally, inviting residents can help build community interest, improve communication and garner support.

- *Public information on existing programs and services*
  High housing costs are still creating problems for lower income residents. For example, renters continue to confront difficulties finding safe and decent rental units and some are at risk of homelessness. Owners, including older residents living on fixed incomes, are finding it increasingly difficult to afford the costs associated with taxes, energy costs, insurance and home improvements; and some are faced with foreclosure. Additionally, some older adults and those with special needs require handicapped adaptations, home repairs and special services to help them remain in their homes. It would be beneficial for the City, through its Department of Community Development and Planning, to get the word out about programs and services that might assist existing renters and support current or prospective homeowners, including referrals to technical and financial resources related to making needed property improvements, reducing the risk of foreclosure, accessing first-time homebuyer information, etc. from important local and regional agencies and organizations (summary information on these programs and services is included in Appendix 3). This can be accomplished by enhancing the City's website which already has a link to the North Shore/Cape Ann Community Resource Manual that includes a section on housing services.

- *Enhanced use of Public Access Television*
  The City has used local public access television to provide coverage of local events and key City meetings. The Department of Community Development and Planning has in fact used such media coverage for its public meetings, including meetings on this Housing Plan. The City should arrange for continued coverage of special meetings that focus on affordable housing.

  The City might also consider doing short programs that focus on the missions of various City departments. For example, the Town of Needham taped a 15-minute program on its Zoning Board of Appeals that involved an interview of the Chair. This program is included on the ZBA's website and is also being looped through regular programming to access many residents. The Town is considering doing comparable programs on the Planning Board and Conservation Commission as well.

- *Educational opportunities for board and committee members*
  Local boards such as the Community Preservation Committee, Zoning Board of Appeals, Planning Board, proposed Housing Trust (see strategy 6.1.1) and other interested local leaders would be encouraged to receive ongoing training on affordable housing issues. Well advised and prepared board and committee members are likely to conduct City business in a more effective and efficient manner. New members without significant housing experience would benefit substantially from some training and orientation. Moreover, requirements keep changing and local leaders must remain up-to-date. Funding for the development of staff will also help keep key professionals informed on important new developments, best practices and regulations.

  The University of Massachusetts Extension's Citizen Planner Training Collaborative (CPTC) offers classes periodically throughout the year and will even provide customized training sessions to individual communities. The Massachusetts Housing Partnership conducts its Massachusetts Housing Institute at least annually, which are held to help local officials better understand the affordable housing development process and play a more effective role in initiating and implementing local solutions to increasing housing choices. Other organizations and agencies, such as DHCD, MHP, CHAPA, and the Community Preservation Coalition, also provide conferences and training sessions on a wide variety of housing issues that would be useful for local officials and staff persons to attend. In addition, there are numerous written resources for localities. For example, DHCD has prepared a procedural "how to" booklet for local communities on the development process, MHP has many technical guides for localities, and CHAPA has a wide variety of reports on many issues related to affordable housing as well. The Executive Office of Energy and Environmental Affairs and also has an online Smart Growth Toolkit that includes a number of model bylaws to promote greater housing diversity and smart growth development.

Required Resources: Donated time of local leaders and staff to attend important community education and outreach activities. Some additional funding would be necessary for the proposed brochure and enhancement of the City's website as well as some of the training sessions/conferences.

6.2 Strategies That Address Priority Housing Needs

As discussed in Section 3.4, based on input from a wide variety of sources, including demographic and housing characteristics and trends (Section 3.1 and 3.2), the Five Year Consolidated Plan 2015-2019 for the North Shore HOME Consortium and City of Peabody required by HUD, and prior planning efforts, three priority housing needs were identified including:

1. **Increase the number of affordable units**
2. **Preserve the existing affordable housing stock**
3. **Prevent homelessness**

It should be noted that the intent of this Plan is not only to continue to surpass the state's 10% goal under Chapter 40B, but more importantly to serve the range of local needs as articulated in these three priority housing needs. Consequently, there are instances where housing initiatives might be promoted to meet these needs that will not necessarily result in the inclusion of units in the Subsidized Housing Inventory (examples potentially include the promotion of accessory apartments or mixed-income housing that includes "community housing" or "workforce housing" units)[30]. More commonly, housing affordability is being referred to as either little "a" affordability, meaning that the units do not meet all state requirements for inclusion in the Subsidized Housing Inventory (SHI) but still meet local housing needs, versus big "A" affordability for those units that can be counted as part of the SHI and towards annual housing production goals. The City will also encourage developers to incorporate universal design and visitability standards, particularly given the high number of seniors and those with special needs in the community.

This Housing Production Plan includes housing strategies that address each of these specific priority needs as described below. It should be noted that most of these strategies involve dedicated staff time from the Department of Community Development and Planning.

PRIORITY HOUSING NEED #1: Increase the number of affordable units

As noted in Section 3.4, given the substantial numbers of residents who are paying too much for their housing and widening affordability, there is a pressing need to produce more affordable housing units in Peabody. Both affordable rental and ownership units are needed to encourage a mix of housing types in response to diverse populations with varying housing needs. There is a clear need for rental units for those with lower-paying jobs, many in City's service economy, who are encountering serious difficulty finding housing that they can afford in Peabody. Because state housing subsidy funds are almost exclusively directed to rental housing and because the City places the highest priority on meeting the housing needs of its most financially vulnerable citizens, the creation of new rental units is the top priority.

[30] Community housing generally refers to units directed to those earning between 80% and 100% AMI, whereas workforce housing refers to units directed to those earning between 80% and 120% AMI or even higher in some places, but still priced out of the private housing market.

6.2.1 Modify the Inclusionary Zoning Ordinance

Timeframe: Years 1-2
Responsible Party: Planning Board

Current Status: Inclusionary zoning is not the silver bullet for all affordable housing problems, but it is a viable tool for promoting affordable housing as part of future development efforts, adopted by more than one-third of all communities in Massachusetts. As noted in Section 4, the City of Peabody adopted inclusionary zoning to increase the supply of rental and ownership housing for low- and moderate-income households, to exceed the 10% affordable housing threshold under the state's Chapter 40B regulations, and to encourage a greater diversity and distribution of housing to meet the needs of families and individuals of all income levels. The Ordinance applies to the R-2, R-3, R-4, R-5, BN, DDD and BC Districts for all new residential developments (including the addition or conversion of existing buildings) of 8 units or more and to the R-1, R-1A and R-1B Districts for developments that produce 15 or more units.

The Ordinance requires that a minimum of 15% of the units in a development be set-aside as affordable, meeting all state requirements under the Local Initiative Program (LIP), qualifying for inclusion in the Subsidized Housing Inventory (SHI). Units must be provided on-site, except under exceptional circumstances approved by City Council. If the off-site affordable units are not comparable to the market-rate units, a greater percentage of affordable units is required.

The City's Department of Community Development and Planning is responsible for the review, approval and enforcement of the required affordability restrictions as well as any condominium documents and fees. The ordinance previously allowed for the payment in-lieu of the construction of actual units by the developer, but this provision was revoked some years ago. The ordinance also does not currently provide density bonuses or other incentives for the inclusion of the affordable units.

Next Steps: The Planning Board, with staff support from the Department of Community Development and Planning, should revisit the inclusionary zoning ordinance and make appropriate revisions to better promote affordable housing. From lessons learned in Peabody and in other communities with inclusionary zoning provisions, the following recommendations are offered:

- Make sure that incentives are sufficient to make development feasible
- Clarify rules to ensure predictability for developers and compliance with state requirements
- *Incorporate density/intensity bonuses*
  Studies on inclusionary zoning indicate that mandatory provisions coupled with strong incentives are most effective in promoting affordable housing. As was the case with the cash-out provisions, density bonus measures were also eliminated from the Peabody inclusionary zoning ordinance.

  It is important to provide sufficient incentives to developers to make sure that the incorporation of affordable units will be financially feasible. Incentives also reduce the risk of litigation from developers who claim that the mandatory inclusion of affordable units involves a "taking" of their property rights. In fact, inclusionary zoning can be legally vulnerable if requirements make it impossible for the developer to earn a reasonable return on the project as a whole. Consequently, it would be prudent for the City of Peabody to add incentives to cover these legal questions and ensure that the zoning works economically.

While most communities with inclusionary zoning provide density bonuses, it may be useful to consider some intensity bonuses as well such as a reduction in minimum lot sizes (Marshfield, for example, allows a 25% reduction) or parking that also translates into lower development costs by reducing road construction, infrastructure installation and site preparation costs. FAR bonuses have also been used such that, for example, the FAR allowed in the particular zoning district for residential uses can be increased by 30% where at least 50% of the additional FAR is allocated to the affordable units. In a mixed-use development, the increased FAR may be applied to the entire lot, however, any resulting gross floor area increase should apply only to the residential use.[31]

Requirements regarding density bonuses range considerably. Marshfield, which has voluntary as opposed to mandatory provisions, specifies that the density bonus units must be equal to the number of As of Right (AOR) units multiplied by 25% and rounded up to the next even number divided by two (2).[32] The City of Melrose allows the developer to build another market unit for every affordable one regardless of minimum lot area or parking requirements for the additional unit or units, although at least 1.5 parking spaces are required per unit. Barnstable waives density requirements and allows reduced minimum lots sizes for projects that are 100% affordable.

As property values are high, they are not as high as some nearby communities and thus it will likely take more than one additional market rate unit to subsidize an affordable one in Peabody. The state's Smart Growth Toolkit proposes a baseline density bonus of two additional market units for each affordable one to sufficiently cover the costs of producing the affordable unit. The Toolkit also proposes that the minimum lot area per unit normally allowed in the district be reduced by that amount that is necessary to permit the inclusion of two additional market units on the lot for each one required affordable unit. Moreover, the ordinance could add a voluntary inclusionary zoning bonus for affordable units produced beyond the required number (15% in the case of Peabody), extending the density bonus of two market units for each additional affordable unit up to a maximum number of project units. Typically, a 50% net increase over the original property yield before any density bonuses were applied is recommended.

Another incentive for consideration would be to expedite permitting for developments that involve inclusionary zoning, providing greater predictability in the development process. Because time is money in the project development process, such expediting can translate into a meaningful incentive for developers.

- *Clarify rules to developers*
  Transparency and more predictability in the development and permitting process are crucial to developers as noted above. Clear procedural policies help developers plan for their projects with knowledge of what will be expected. As suggested above, developers would respond positively to an expedited permitting process for inclusionary zoning projects. Another important requirement that might be added to the ordinance would be to insure that the affordable housing units are provided

[31] Floor Area Ratio (FAR) is the floor area divided by the lot area.

[32] For example, a 9-unit AOR development will result in nine AOR units plus 4 units (.25 x 9 = 2.25 units rounded up to 4 units with 2 affordable units and 2 density bonus units or 13 units in total. A 31-unit AOR development would result in 31 AOR unit plus 8 units (.25 x 31 = 7.5 units rounded up to 8 units, 4 affordable and 4 density bonus units) or 39 units.

coincident to the development of the market units (see Table 6.1 for a proposed development schedule).

This Housing Production Plan recommends that the City of Peabody reach out to developers on new inclusionary zoning provisions, potentially presenting them at a special meeting and obtaining their feedback. It would also be helpful to summarize the inclusionary zoning requirements in a brochure.

- *Update language reflecting changes in state regulations*
  Some language related to local preference will also have to be updated in compliance with state Local Initiative Program (LIP) guidelines. For example, Section 6.11.3.J of Peabody's Zoning Ordinance specifies what groups can be granted local preference status under the state's Local Initiative Program (LIP). Up to 70% of the affordable units in a project can be reserved for those who live and work in the community. Subsequent changes to LIP would prohibit offering preference to those who went to school in Peabody as well as any reference to how many hours a person must work per week in city, both currently included in the ordinance. Current LIP local preference language is as follows:

  > *Current residents*: A household in which one or more members is living in the city or city at the time of application. Documentation of residency should be provided, such as rent receipts, utility bills, street listing or voter registration listing.
  >
  > *Municipal employees*: Employees of the municipality, such as teachers, janitors, firefighters, police officers, librarians, or city hall employees.
  >
  > *Employees of local businesses*: Employees of businesses located in the municipality.
  >
  > *Households with children attending the locality's schools*, such as METCO students.

  The ordinance should also require that the affordable units be dispersed throughout the project and indistinguishable (at least from the exterior) from the market units.

Required Resources: Donated time of members of the Planning Board to amend the ordinance and coordinate the necessary approvals with staff support from the Department of Community Development and Planning. The monitoring of projects to insure continued affordability based on use restrictions would be the responsibility of the project sponsor and coordinated by the proposed Housing Trust with staffing support by the Department of Community Development and Planning. All affordable units added through such an ordinance need to be approved by the state to be included as part of the City's Subsidized Housing Inventory, applied through the Local Initiative Program (LIP) administered by DHCD (see Appendix 3 for details on the Local Initiative Program, Local Action Units in particular).

Projected # Affordable Units Produced: 20 units

6.2.2 Pursue 40R/40S Smart Growth Zoning and Other Overlay Districts

Timeframe: Years 1-2
Responsible Parties: Planning Board in coordination with the proposed Housing Trust

Current Status: In 2004, the State Legislature approved the Chapter 40R which defined 40R as "a principle of land development that emphasizes mixing land uses, increases the availability of affordable housing by creating a range of housing opportunities in neighborhoods, takes advantage of compact design, fosters distinctive and attractive communities, preserves open space, farmland, natural beauty and critical environmental areas, strengthens existing communities, provides a variety of transportation choices, makes development decisions predictable, fair and cost effective and encourages community and stakeholder collaboration in development decisions."[33] The key components of 40R include:

- Allows local option to adopt Overlay Districts near transit, areas of concentrated development, commercial districts, rural village districts, and other suitable locations;
- Allows "as-of-right" residential development of minimum allowable densities;
- Provides that 20% of the units be affordable;
- Promotes mixed-use and infill development;
- Provides two types of payments to municipalities (one based on the number of projected housing units and another for each unit that receives a building permit); and
- Encourages open space and protects historic districts.

The state also enacted Chapter 40S under the Massachusetts General Law that provides additional benefits through insurance to municipalities that build affordable housing under 40R that they would not be saddled with the extra school costs caused by school-aged children who might move into this new housing. In effect, 40S is a complimentary insurance plan for communities concerned about the impacts of a possible net increase in school costs due to new housing development.

More detailed information on 40R is included in Attachment 3.

The Community Development and Planning Departments has also been drafting new zoning to create special overlay districts to better promote mixed uses and redevelopment activity. This includes proposed zoning for the mill area to encourage the redevelopment of unoccupied or underutilized mill space that can provide opportunities for both commercial and residential uses. There are issues related to brownfields that will require remediation, however, the development of affordable housing is an excellent vehicle for obtaining funding to alleviate the problems. Residential overlays districts were introduced and adopted to allow new residential uses in underutilized spaces to the rear of Mall.

Next Steps: The City of Peabody, through its Mayor's Office and Department of Community Development and Planning, has been exploring opportunities to create Smart Growth Overlay Districts through 40R/40S and has adopted new overlay districts in the Mill and Northshore Mall areas.

The Metropolitan Area Planning Council (MAPC) is in the early stages of providing technical assistance to the City on the feasibility of establishing a Chapter 40R district in the downtown area. The City applied to MAPC for technical assistance funding to undertake an analysis of what the City could expect in regard to the number of units and estimated incentive payments that might result from the 40R, including some outreach to the community. The City additionally applied and received another grant from the state's Executive Office of Energy and Environment that will enable MAPC to increase its Scope of Work, including a more robust outreach process and if given the go-ahead, to prepare the new zoning. **This work demonstrates significant progress in implementing the 2013 Housing Production Plan that proposed the pursuit of 40R zoning.**

[33] Massachusetts General Law, Chapter 40R, Section 11.

The formal steps involved in creating the 40R Overlay District are as follows:

- The City holds a public hearing as to whether to adopt an Overlay District per the requirements of 40R;
- The City applies to DHCD prior to adopting the new zoning;
- DHCD reviews the application and issues a Letter of Eligibility if the new zoning satisfies the requirements of 40R;
- The City adopts the new zoning through a two-thirds vote of City Council subject to any modifications required by DHCD;
- The City submits evidence of approval to DHCD upon the adoption of the new zoning; and
- DHCD issues a letter of approval, which indicates the number of projected units on which its subsidy is based and the amount of payment.

Peabody has also been included in the third phase of MAPC's Perfect Fit Parking project that helps communities assess parking demands. This project involves a number of components including a survey to owners of multi-family properties (with nine or more units and built since 2000), mid-week and middle-of-the-night parking counts, and a statistical model. It is anticipated that this project will provide valuable input into helping the City develop informed, sustainable and economical parking policies. Such information will be particularly valuable in establishing parking requirements in the 40R district.

The downtown area also has access to the state's Housing Development Incentive Program (HDIP) that offers two tax incentives to developers to undertake new construction or substantial rehabilitation of properties for lease or sale as multi-unit market rate housing including:

- A local-option real estate tax exemption on all or part of the increased property value resulting from improvements.
- State tax credits for Qualified Project Expenditures (QPEs) that are awarded through a rolling application process.

Required Resources: Donated time of members of the Planning Board to prepare the necessary zoning with staff time from the Department of Community Development and Planning and input/advocacy from the proposed Housing Trust.

Projected # Affordable Units Produced: 50 units

6.2.3 Promote "Friendly" 40B Development

Timeframe: Years 1-2
Responsible Parties: Mayor and ZBA

Current Status: The Massachusetts Comprehensive Permit Law, Chapter 40B Sections 20-23 of the General Laws, was enacted as Chapter 774 of the Acts of 1969 to encourage the construction of affordable housing throughout the state. Often referred to as the Anti-Snob Zoning Act, it requires all communities to use a streamlined review process through the local Zoning Board of Appeals for "comprehensive permits" submitted by developers for projects proposing zoning and other regulatory waivers and incorporating affordable housing for at least 25% of the units. Chapter 40B development is not unfamiliar to the City of Peabody. Of the 2,104 total affordable housing units in Peabody's Subsidized Housing Inventory (SHI), 598 or 28% were developed through the comprehensive permit process.

Chapter 40B comprehensive permits have often had a negative association as local residents and leaders are usually averse to overrides of their zoning. While abutters tend to be concerned about the impacts of such developments, including decreases in property values, research has proven that this has not been the case.[34] Moreover, the state has created a program, the Local Initiative Program (LIP), which enables municipalities to work in partnership with developers on affordable housing developments that meet local goals and priorities but also produce units that would otherwise be unfeasible without significant regulatory waivers.

The Local Initiative Program (LIP) is a technical assistance subsidy program to facilitate Chapter 40B developments and locally produced affordable units. *The Program is often referred to as the "friendly" 40B option as it insures that projects are consistent with sustainable or smart growth development principles as well as local housing needs.* LIP recognizes that there is a critical need for all types of housing but encourages family and special needs housing in particular. Age-restricted housing (over 55) is allowed but the locality must demonstrate actual need and marketability and project sponsors cannot deny the occupancy of children in the affordable units.

In order to meet local needs, production goals and the 10% state affordability threshold, the City will need to partner with developers, non-profit and for profit. The "friendly" 40B option will be an important tool for the City to use in permitting such developments, working in a cooperative spirit with developers. *It should be further noted that up to 70% of the units in a 40B development could be reserved for those who live and work in Peabody, referred to as local preference units.*

Next Steps: The City of Peabody, through its Mayor's Office and Department of Community Development and Planning, will be alert to opportunities to work cooperatively with developers on projects that address local needs and priorities.

The process that is required for using LIP for 40B developments – "friendly" comprehensive permit projects – is largely developer driven. It is based on the understanding that the developer and municipality are working together on a project that meets community needs. Minimum requirements include:

- Written support of the municipality's chief elected official, and the local housing partnership, trust or other designated local housing entity. The chief executive officer is in fact required to submit the application to DHCD.
- At least 25% of the units must be affordable and occupied by households earning at or below 80% of area median income or at least 20% of units restricted to households at or below 50% of area median income.
- Affordability restrictions must be in effect in perpetuity, to be monitored by DHCD through a recorded regulatory agreement.
- Project sponsors must prepare and execute an Affirmative Fair Housing Marketing Plan that must be approved by DHCD.

[34] MIT Center for Real Estate, "40B Report: Effects of Mixed-income, Multi-family Rental Housing Developments on Single-family Housing Values, April 2005.

- Developer's profits are restricted per Chapter 40B requirements.

The process that is required for using LIP for "friendly" comprehensive permit projects is detailed in Section I.D of Appendix 3.

Required Resources: Staff time from the Department of Community Development and Planning to work with developers and prepare application materials as well as the donated time of members of the ZBA to conduct the permitting. As the 40B process is primarily developer driven and typically does not require external subsidies (the program works by the market rate units cross-subsidizing the affordable ones), it is unlikely the City will have to commit CPA, HOME or CDBG funding unless the project is targeting those with incomes well below 80% of area median income or includes a higher level of affordability.

Strategy 6.2.4 below includes some more recent state resources that might be tapped in the development of publicly or privately-owned properties including the Starter Home Program, Housing Choice Initiative, Community Scale Housing Initiative and the Housing Development Incentive Program (HDIP).

Projected # Affordable Units Produced: 165 units (includes some units that were not permitted through the state's Local Initiative Program)

6.2.4 Make Suitable Public Property Available for Affordable Housing

Timeframe: Years 1-2
Responsible Parties: Mayor and City Council and potentially the proposed Housing Trust

Current Status: As mentioned in Section 4, major obstacles to developing affordable housing in Peabody include the limited availability of developable property, publicly-owned property in particular. While the major thrust of many communities' proactive housing agendas has been the development of municipally-owned properties that are suitable for some amount of affordable housing, this is more difficult to do in Peabody as there are fewer options available. Nevertheless, as noted in the Housing Needs Assessment, there has been some discussion about the potential availability of City-owned parcels for affordable housing such as 70 Endicott Street. Moreover, properties in tax foreclosure could be identified and conveyed for the purpose of providing affordable housing, possibly transferred to the proposed Housing Trust and the developer selected through a Request for Proposals (RFP) process.

The City of Peabody may also decide to acquire privately-owned sites at some time in the future for the purposes of protecting open space, providing for particular municipal uses, and developing some amount of housing, including affordable housing, through cluster development on a portion of the sites. Additional smaller sites may become available as well to build affordable new starter homes, housing for empty nesters, special needs units, or housing for the formerly homeless on in infill basis. Some limited opportunities may also be available through the taking of tax-foreclosed properties for affordable housing. Ideally this property would then be transferred to the proposed Housing Trust (see strategy 6.1.1) following City Council approval, which would then prepare and issue a Request for Proposals (RFP) to select a developer. Some communities have decided to bond CPA funding to finance property acquisition.

As the City becomes alert to opportunities for acquiring property that would be suitable for some amount of affordable housing, even tax-foreclosed properties, such properties would ideally meet a number of "smart growth" principles such as:

- The redevelopment of existing structures,
- Infill site development,
- Development of housing with existing or planned infrastructure,
- Parcels large enough to accommodate clustered housing,
- Mixed-use properties in the downtown, village areas or along commercial corridors, and
- Buffer between adjacent properties.

Next Steps: The Department of Community Development and Planning, under the oversight of the Mayor or proposed Housing Trust, will continue to work with other City boards and committees to pursue the development of surplus municipal property or acquire private property for the development of affordable housing. For example, the towns of Carlisle and Falmouth acquired land for affordable housing development including open space preservation and other public benefits. Like these communities, Peabody could choose to bond CPA funds to cover site acquisition costs.

The City has pre-permitted an 8-unit development for its property at 70 Endicott Street, one of which would be affordable. For such publicly-owned properties, the City will coordinate the following activities:

- *Predevelopment Costs:* Where appropriate, the City will support the costs of preliminary feasibility analyses of existing City-owned properties or on sites identified on the open market through negotiations with interested sellers for reduced prices or through tax foreclosures that might potentially include some amount of affordable housing. Such analyses could be funded through Community Preservation funds or the proposed Housing Trust Fund.

- *Preparation of the RFP:* Following the necessary approvals for the conveyance of City-owned properties, the Department of Community Development and Planning, in concert with the City's Chief Procurement Officer and potentially a housing consultant, will prepare a Request for Proposals (RFP) to solicit interest from developers based on the City's specific project requirements. They will then select a developer also based on identified criteria included in the RFP. Projects may require densities or other regulatory relief beyond what is allowed under existing zoning, and this might be obtained through normal regulatory channels or more likely through the "friendly" comprehensive permit process through DHCD's Local Initiative Program (LIP) (see strategy 6.2.3).

- *Conveyance of Property:* The City will convey the property to the selected developer at a nominal cost, representing a significant subsidy that will help make the project financially feasible.

- *Project Financing:* Additionally, the City will need to be involved in helping the selected developer attract the necessary financial and technical support. The City appreciates that evidence of municipal support is often critical when seeking financial or technical assistance from regional, state and federal agencies. CPA funding or proposed Housing Trust Funds are very helpful in leveraging limited and competitive state and federal funding.

- *Project Advocacy*: The City will not only establish the terms and conditions of development through the RFP, but will also advocate for the project, supporting the developer in obtaining the necessary permits and community support.

Required Resources: Resources will be required to help subsidize the development. Comprehensive permits typically do not involve external public subsidies but use internal subsidies by which the market units in fact subsidize the affordable ones. Many communities have used the “friendly” comprehensive permit process to take advantage of these internal subsidies, to create the necessary densities to make development feasible, and to make it easier to navigate the existing regulatory system as recommended in strategy 6.2.3. Given relatively high market prices and extremely limited public financing for affordable housing, the “friendly” 40B process is an important strategy for producing affordable housing in Peabody (see strategy 6.2.3).

Other developments require public subsidies to cover the costs of affordable or mixed-income residential development and need to access public subsidies through the state and federal government and other financial institutions to accomplish these objectives. Because the costs of development are typically significantly higher than the rents or purchase prices that low- and moderate-income households can afford, multiple layers of subsidies are often needed to fill the gaps. Even some Chapter 40B developments are finding it useful to apply for external subsidies to increase the numbers of affordable units, to target units to lower income or special needs populations, or to fill gaps that market rates cannot fully cover. A mix of financial and technical resources will be required to continue to produce affordable units in Peabody. Appendix 3 includes summaries of most of these housing assistance programs.

Some of the state’s more recent funding initiatives that could potentially be used for both public and privately-owned properties include:

- *Starter Home Program*
  The state also enacted legislation to implement a Starter Home Program as part of the Governor’s Economic Development Bill. This was accomplished by modifying the existing Smart Growth Zoning and Housing Production law of Chapter 40R to include $25 million in new funding over five years for cities and towns that create new starter home zoning districts. The new districts must be a minimum of three acres, restrict the primary dwelling size to 1,850 square feet of heated living area with a minimum of four units per acre by-right, and provide 20% affordability up to 100% AMI. As is the case under Chapter 40R (see strategy 6.2.2), communities would receive zoning incentive payments ranging from $10,000 to $600,000, depending upon the size of the "starter home" zoning district, as well as housing production payments of $3,000 for each unit of housing built. There is also an open space requirement.

- *Housing Choice Initiative*
  In 2018, the state announced its Housing Choice Initiative to provide technical assistance grants to local governments to help communities achieve their affordable housing goals under Chapter 40B through its new Planning for Housing Production Program. The state hopes to pair this grant funding with new legislation that will help facilitate housing production and the adoption of zoning best practices without mandating that municipalities adopt any specific zoning practices. Housing Choice Initiative designation also comes with potential grant funding for capital improvements.

- *Community Scale Housing Initiative (CSHI)*
  The state also introduced the Community Scale Housing Initiative to address the need for smaller scale affordable housing projects that are sized to fit well within the host community and are too small to be competitive for the more traditional sources of financing such as the Low Income Housing Tax Credit Program.

It is also important to note that Peabody has been approved to participate in the state's Housing Development Incentive Program (HDIP) to spur market rate housing development and economic development activities in designated areas. This area includes most of Peabody's downtown. HDIP specifically offers two tax incentives to developers to undertake new construction or substantial rehabilitation of properties for lease or sale as multi-unit market rate housing including:

- A local-option real estate tax exemption on all or part of the increased property value resulting from improvements.
- State tax credits for Qualified Project Expenditures (QPEs) that are awarded through a rolling application process.

Other resources include the donated time of members of City boards and committees (such as Assessing, ZBA, the Planning Board, Community Preservation Committee, and proposed Housing Trust), including staff coordination from the Department of Community Development and Planning.

Projected # Affordable Units Produced: 32 units

6.2.5 Promote Nontraditional Housing Models

Timeframe: Years 3-5
Responsible Parties: Planning Board with support from the proposed Housing Trust

Current Status: The priority housing needs described in Section 3.4 suggest the need to produce new housing for low- and moderate-income individuals and families to rent as well as opportunities for starter housing, downsizing, and special needs facilities. While traditional models of single-family detached ownership housing and limited multi-family development tend to be the norm in most communities, largely in response to zoning and financing constraints, there are other housing types that have been proven effective in addressing particular housing needs, including affordability. These include the following:

- *Live-work space:* Live-work space, sometimes referred to as zero commute housing, are spaces where artists combine their residence with their work area, typically in an open floor plan offering large, flexible work areas. Such spaces are allowed under Peabody's Zoning Ordinance in the BC – Central Business District – and R-4 District by special permit. There is wide recognition that artists help make cities more livable, contributing to the cultural and commercial vitality of the community, but the availability of affordable studio and living space continues to be an issue for local artists. The promotion of first-floor gallery or retail space with live/workspace for artists in the upper floors is a good model for adapting to Peabody's downtown area. There may even be opportunities for targeted funding to encourage such development as well as collaborations with cultural organizations. For example, the City of Lynn has revised its zoning and has promoted artist live/workspace in its downtown. This might be considered in tandem with new Chapter 40R zoning or other overlay districts (see strategy 6.2 2).

- *Cohousing:* The cohousing concept originated in Denmark with a focus on knowing one's neighbors and providing a safe and nurturing environment for children and harks back to the "intentional communities" concept that was introduced in the United States back into the mid-19th Century. These developments are cooperative neighborhoods, typically with homes clustered around a common building with facilities that are shared by all residents (dining room, kitchen, playrooms, library).

For example, Northampton has a couple of these developments including Pathways Cohousing and Rocky Hill Cohousing. As the site plan for the Homes at Pathways Cohousing demonstrates above, these developments tend to be clustered with a common house in the center or at the apex of the development. The common house supports the community with dining facilities, sometimes guest rooms, children's play space and meeting and living areas. Parking is located in lots on the periphery, leaving the interior of the site car-free and providing a safe and supportive place for children to play. Most such developments tend to be more affordably priced, and in Northampton almost three-quarters of the units are valued within the $200,000 to $300,000 range. Cohousing can also be readily adapted to mixed-income housing, with several income tiers, and integrate smaller starter housing units or those for downsizing. Recommended changes to the cluster zoning ordinance could include provisions to make these development options possible in Peabody (see strategy 6.2.7).

- *Adaptive reuse*: Adaptive reuse involves the conversion of nonresidential properties – such as institutional, commercial and even industrial properties – into housing. The Tannery projects in Peabody are good examples of such reuses, and the conversion of surplus schools for residential use has been widely implemented throughout the Commonwealth. Because Peabody is relatively built-out, opportunities to convert existing nonresidential properties to mixed-income housing should be pursued. Approval of an overlay district in the mill area would help promote the redevelopment of underutilized mill buildings into mixed uses, including affordable housing (see strategy 6.2.6).

- *Mixed-use, "above the shop" type housing*: The Zoning Ordinance does allow housing above commercial or retail space in the Central Business District and R-4 District. Such development provides a number of benefits for the community such as creating housing opportunities in close proximity to services and transportation, thus reducing the reliance on the automobile; directing housing to areas that can accommodate greater density; promoting the vitality of business areas after store hours; and providing smaller units for individuals and smaller households. Clearly artist live/workspace would fit in well with this type of development as mentioned above.

- *Group homes*: Groups homes provide small settings for people with disabilities in existing homes in residential neighborhoods. Each bedroom in a group home is eligible for counting in the Subsidized Housing Inventory. Peabody has 191 such units in group homes, up from 165 in 2012, including 158 in homes sponsored by the state's Department of Developmental Services (DDS) and another 33 in homes sponsored by the Department of Mental Health (DMH).

- *Congregate settings*: Congregate housing can take many forms and other names for such housing have included supported housing, life-care homes, congregate retirement housing, congregate senior communities, residential care, sheltered housing, enriched housing, single room occupancy (SRO) housing, enhanced single room occupancy (ESRO), safe havens,[35] and even assisted living. Cohousing and group homes, described above, also share elements of congregate living.

  In the United States, the term appeared in a 1978 federal law that was intended to provide subsidized housing with supportive services for seniors or the disabled. The original form of congregate housing typically included some meal preparation and housekeeping. Those living in these settings usually did not have their own kitchens and sometimes shared bathrooms. Some congregate housing has been among the most affordable senior or special needs housing because of available subsidies. Unfortunately, there has been a shortage of such housing and limited funding for new projects in Peabody and elsewhere.

  Congregate housing, including Single Room Occupancy (SRO's) units in rooming houses, has served as a valuable source of affordable housing for low-income individuals. This type of housing, with supportive services, is particularly responsive to the Housing First[36] approach to meeting the needs of chronically homeless individuals.

- *Cottage-style or bungalow type housing clusters:* This type of housing has been popular in the West Coast of the country where there is an intense focus on smart growth development principles. The model involves the development of small cottages or bungalows that are clustered around a community green space. This housing type targets empty nesters, single

[35] Safe Haven Programs are directed to providing service-enriched housing for the chronically homeless mentally ill.

[36] During recent years there has been a shift to preventing homelessness by quickly providing housing with wrap-around services as needed through a rapid response Housing First model. This approach has proven effective in other places around the country. "Housing First" is an alternative to the current emergency and transitional shelter system of providing temporary housing for the homeless and is premised on the belief that vulnerable and at-risk homeless families and individuals are more responsive to interventions and social service support *after they are in their own housing*, rather than while living in temporary facilities.

professionals, and young couples. Such development provides opportunities for the ownership of small, detached dwellings within or on the fringe of existing neighborhoods, often enhancing affordability while simultaneously encouraging the creation of more useable open space for the residents through flexibility in density. This model also provides an infill housing option in areas within reasonable proximity to transportation and businesses. It is worth noting that some of these projects have shared parking lots or on-street parking, reducing the costs of each unit having its own driveway and parking garage, which for small projects can end up being a significant cost and land consumer. This housing model can also be adapted to the cohousing concept described above.

- *Service-enriched housing for seniors:* As discussed in the Housing Needs Assessment and Peabody's Five-Year HUD Consolidated Plan, there has been a substantial upsurge in the population 65 years or older. The number of those 65 years of age and older grew by 58% between 1990 and 2010, from 6,655 to 10,520 residents, while the population as a whole increased by only 9.0%. The 2017 census estimates suggest further increases of older adults to 10,988 residents and 20.9% of the population. Of particular note were the frail elderly of at least age 85 who increased by 249% between 1990 and 2010 and by 19% between 2010 and 2017. Population projections predict that this growth will continue into the future as those over 65 are estimated to increase from 20.5% of all residents in 2010 to 29.5% by 2030, representing a gain of 5,741 residents in this older age category. Moreover, seniors are spending far too much on their housing, including both renters and owners, and seniors represent the largest portion of the population earning at or below 30% of area median income. Clearly there is a compelling need for the development of additional affordable housing for the elderly, including service enriched housing through assisted living developments or units with some array of supportive services to help seniors, particularly the very low-income frail elderly, live independently in place.

- *Tiny houses or micro-units*

  

  Tiny houses or micro-units can provide workforce housing on unbuildable lots or as an accessory unit on a lot with a primary dwelling as shown in the photo. If such units have wheels, there may be obstacles associated with being considered as trailers or mobile homes and thus prohibited in most areas by zoning. But when tiny houses are not regulated as mobile homes, there are still obstacles including minimum square footage requirements and the accommodation of toilets. Consequently, while tiny homes are popular, available, and affordable, they can be difficult to site.

  Some communities are starting to make inroads into allowing these tiny homes. For example, Nantucket recently amended its zoning to include a provision for a "Tiny House Unit", allowing mobile tiny homes to serve as primary, secondary, or even tertiary dwelling units.

Many of these models can be developed on an infill basis as mixed-income housing, serving a range of needs. The approaches, with only a couple of exceptions, can also be adapted as rental or ownership, depending upon the goals of the project sponsor and available financing.

Next Steps: The Planning Board, with staff support from the Department of Community Development and Planning, should consider how it might better promote these types of housing opportunities, allowing more of these options in more areas. It should also continue to forge partnerships with developers and service providers to produce diverse housing types to meet the identified range of housing needs in Peabody as summarized in Section 3.4 of this Housing Plan.

The City should also consider regular meetings with developers, non-profit and for profit, to promote the continued exchange of information on potential development opportunities and ultimately the production of affordable housing through the models listed above. For example, the City recently held a meeting with developers in 2018 on investment in the downtown.

Required Resources: The promotion of affordable housing through more innovative and "smart" development to meet priority housing needs will involve the following types of City support:

- *Rezoning:* The zoning changes described in this Plan should help encourage the development of these housing models, incorporating affordability. Zoning amendments to better promote infill housing, mixed-uses, and cluster development should significantly help diversify the housing stock in locations that are most appropriate.

- *Predevelopment funding:* CPA, HOME and CDBG funding as well as potential funding from the proposed Housing Trust could provide resources to support preliminary feasibility analyses for new developments. Such funds could be offered as a grant if it is ultimately found that the project is infeasible and as a loan to be repaid if the project is developed.

- *Community outreach and advocacy:* Efforts will need to be made to provide information to the community, abutters in particular, on new developments to help bolster local support. Approaches to conducting this outreach are described in strategy 6.1.2. Also, it will be important for local leaders, including the Mayor, City Council, Planning Board, Community Preservation Committee, Zoning Board of Appeals, and proposed Housing Trust, to get behind affordable housing developments, to help fine-tune development proposals to best meet local needs and address community concerns, to advocate for their support, and to ultimately insure sufficient funding and necessary regulatory approvals.

- *Gap financing:* Local funding – including CPA, CDBG, HOME funding, and potentially Housing Trust Funds – would also be needed as "gap fillers" to help reduce the gap between the total costs of development and the affordable rents or purchase prices of the affordable units. This local commitment is often critical to leveraging other public and private funding to make development financially feasible.

- *Supportive services:* To meet the needs of special populations – including seniors, the disabled, and chronically homeless – housing is not enough. Supportive services are also required to allow occupants to remain safe, independent and thrive as contributing members of the community. City funding to continue to support such services is essential (see strategy 6.2.11).

Projected # Affordable Units Produced: 148 units

6.2.6 Consider Changes to the Cluster Development Ordinance

Timeframe: Years 3-5
Responsible Parties: Planning Board with support from the proposed Housing Trust

Current Status: Cluster development, allowed by special permit in Peabody's Zoning Ordinance, promotes a more efficient use of land by allowing the housing to be clustered while preserving significant amounts of open space. Only single-family home development is allowed, however, where the maximum number of units is calculated by taking the total land area (exclusive of existing or proposed roads and other land not available to the developer) and dividing it by the minimum lot area for the zoning district. Frontage requirements are reduced by half or 50 feet, whichever is greater, and up to 50% of the minimum requirements for setbacks and side and rear yards in the zoning district might be waived by the Planning Board. Also, up to two-thirds of the minimum lot area or 6,600 square feet, whichever is larger, might also be permitted and up to one-half of the minimum required might be waived (no less than 6,000 per lot) under certain circumstances including preserving open space and natural features of the property, providing active or passive recreation, establishing a buffer between new developments or neighboring uses and/or *promoting affordable housing*.

Next Steps: The Planning Board should amend the cluster development ordinance to remove restrictions that only permit the development of single-family homes. As discussed in the Housing Needs Assessment and strategy 6.2.6 above, diverse housing needs typically call for more diverse housing choices, including perhaps the more nontraditional housing types suggested in strategy 6.2.6, clustered co-housing and cottage-style development in particular. This zoning amendment would offer the opportunity to reconsider various sections of the cluster zoning ordinance and recommend further changes, including the possible introduction of density bonuses for affordable housing.

Required Resources: Donated time of members of the Planning Board as well as staff time from the Department of Community Development and Planning.

Projected # Affordable Units Produced: 9 units included as part of a pocket neighborhood included under strategy 6.2.6.

PRIORITY HOUSING NEED #2: Preserve the existing affordable housing stock

Many of the existing affordable units are subsidized and included in the Subsidized Housing Inventory (SHI) or rented on the private market through rental subsidy programs that make up the difference between a Fair Market Rent (FMR), as determined annually by HUD, and what a low- or moderate-income household can afford.[37]

There are also other existing market-rate units that, while not subsidized, still need to be preserved to the greatest extent possible as they provide some level of relative affordability and

[37] It should be noted, however, that those with Section 8 housing vouchers, or with rental subsidies from other comparable programs, have experienced difficulties in finding suitable housing in the private market because of high rents.

help diversify the housing stock. The City should work with private sector stakeholders to maintain existing affordable units, including both big "A" and little "a" units.

6.2.7 Monitor and Maintain SHI Units

Timeframe: Years 1-2 *Responsible Party:* Mayor/Department of Community Development and Planning

Current Status: Based on how housing was financed, how long the affordability requirements were established, and other stipulations in affordability agreements, the affordable status of housing units can be in jeopardy in the future. As indicated in Section 3.2.6 of this Plan, there are a number of affordable housing developments in Peabody where affordability requirements are due to expire in the near future or in the longer-term that could result in the City losing units in the Subsidized Housing Inventory. While almost 200 units that were rehabilitated through the City's Homeownership Rehab Program have shorter-term affordability restrictions that will be expiring in the shorter-term, some in the very near future, other projects that are listed in the SHI are due to expire within the relatively near future as listed in Table 3-34. The 284 rental units at The Tannery, while until recently, were listed as expiring in 2018, are not in fact at risk as the project has been acquired by Winn Development through the Chapter 40T process and the affordability has been extended through 2062. However, there are other rental units that might be at risk of losing their affordability, and the City will need to monitor the status of these units closely, intervening as necessary to try to extend their affordability restrictions.

Next Steps: It is important to ensure that all affordable housing units that are produced according to state requirements remain a part of the City's Subsidized Housing Inventory for as long as possible. The Department of Community Development and Planning should continue to closely monitor developments with "expiring" affordable units and work with the state and existing project sponsors to maintain affordability into the long-term. There are a number of non-profit organizations that specialize in the acquisition and refinancing of these "expiring use" developments and recent state funding under Chapter 40T[38] has provided a good mechanism for refinancing these projects.

In addition to preserve existing SHI units, it will also be important that affordable units produced through this Plan get counted expeditiously, to the greatest extent possible, as part of the Subsidized Housing Inventory (SHI), applied through the Local Initiative Program (LIP) administered by the state's Department of Housing and Community Development (DHCD) if another state or federal housing subsidy is not used. In addition to being used for "friendly 40B" projects, LIP can be used for counting those affordable units that are being developed through some local action as part of a City's Subsidized Housing Inventory including:

- Zoning-based approval, particularly inclusionary zoning provisions and special permits for affordable housing;

[38] Chapter 40T, which passed in 2009, has several provisions aimed at giving tenants of affordable housing plenty of notice and resources if their landlord decides to pursue the conversion of the property to market rate after affordability restrictions have expired. One of these provisions gives DHCD the right of first refusal when a building with affordable units comes up for sale. DHCD does not buy the properties outright, but relies on a pre-approved list of affordable housing developers with whom it works to help acquire and manage the property, insuring extended and long-term affordability.

- Substantial financial assistance from funds raised, appropriated or administered by the city; and/or
- Provision of land or buildings that are owned or acquired by the city and conveyed at a substantial discount from their fair market value.

Some of the important tasks for insuring that the affordable units, now referred to as Local Action Units (LAU's), meet the requirements of Chapter 40B/LIP include:

- Meet with the developer to discuss requirements for insuring that the unit(s) meets the requirements for inclusion in the Subsidized Housing Inventory through the state's Local Initiative Program (LIP).
- Contact DHCD to discuss the project and determine the purchase price/rent based on LIP Guidelines.
- Prepare a LIP Local Action Units application submitted by the municipality (chief elected official), working with the developer, including an Affirmative Fair Housing Marketing Plan and if appropriate, a regulatory agreement to further insure long-term affordability between the developer, municipality and DHCD.
- Insure that the Marketing Plan is appropriately implemented including affirmative marketing, information sessions, determination of eligibility, lottery, etc.
- Insure that necessary documentation is obtained including the deed rider, resale price certificate and disclosure statement from DHCD as well as loan commitment letters, purchase and sale agreements, and contact info for the closing attorneys on ownership projects.
- Monitor progress to insure timely closing of the units and occupancy.
- Submit necessary documentation to DHCD to have the unit(s) counted as part of the Subsidized Housing Inventory including a New Units Request Form.
- Annually recertify the continued eligibility of affordable units.

It should also be noted that the City might be able to reserve up to 70% of the affordable units in any new development for those who have a connection to Peabody as defined by the state and referred to as "local preference" units. State guidelines require that the City must document the need for such local preference in the Affirmative Fair Housing Marketing Plan, approved by DHCD.

Resources Required: Staff time form the Department of Community Development and Planning.

Projected # Affordable Units Produced: Will not increase the number of affordable units but will limit decreases in SHI units and insure that units that are eligible for inclusion in the SHI get counted as expeditiously as possible.

6.2.8 Continue Funding Housing Rehabilitation Efforts

Timeframe: Years 1-2
Responsible Parties: Mayor and City Council

The City has also partnered with North Shore Habitat for Humanity to provide assistance for emergency repairs. The program, called the Critical Home Repair Program, helps homeowners earning at or below 60% of area median income maintain their homes by making health and safety improvements. The subsidy is structured as a zero percent deferred payment loan of up to $10,000 that is forgiven after 15 years or repaid upon the sale or transfer of ownership if such occurs within the 15-year loan term. The units include 15-year deed restrictions.

Projects have ranged considerably including the following examples:

- Painted a house for a low-income elderly woman who had been notified by her insurance company that it would be putting her policy in a high-risk pool, and thus raising her premium, if the exterior condition of her house was not improved.
- Provided a handicapped ramp for an elderly man who was on oxygen and had considerable difficulty entering and leaving his home.
- Replaced a water heater for a 91-year old woman living in a condo.
- Remediated problems associated with roofs and windows as well.

Next Steps: The City will continue to provide funding to support this program and explore options to expand housing rehabilitation efforts to households up to 80% of the area median income.

Required Resources: Funding of $40,000 has been allocated to Habitat for Humanity for the Critical Home Repair Program and further funding will be considered when the existing allocation is fully drawn down. Funding from CDBG and/or HOME could also be applied to housing rehab initiatives.

Projected # Affordable Units Produced: 75 units

6.2.9 Convert Existing Housing to Long-term Affordability

Timeframe: Years 3-5
Responsible Party: Mayor or proposed Housing Trust

Current Status: Peabody should continue to pursue opportunities to convert existing market units to state-defined "affordable" ones, thus insuring the long-term affordability of existing units. This "buy-down" approach involves the purchase of one or two-family structures or other housing types, renting or reselling one (or possibly both/several) of the units subject to a deed restriction that insures permanent affordability.

Buy-down programs have proven to be viable strategies in a number of communities. For example, the Sandwich Home Ownership Program (SHOP) produced seven affordable housing units under the coordination of the Housing Assistance Corporation (HAC), the Cape's regional non-profit housing organization. Buy-down programs in fact are usually coordinated by a non-profit housing organization and have also been implemented in Cambridge, Newton, Wellfleet and Arlington, for example. A number of communities – including Sandwich, Barnstable and Lexington – have had their Housing Authorities or another non-profit organization acquire properties that they continue to own and manage as rentals.

The City of Peabody participated in such a "buy-down" effort through the Park Street project sponsored by North Shore Habitat for Humanity. The organization purchased three vacant and abandoned structures, made substantial improvements, and sold the eight units in these buildings to qualifying purchasers earning at or below 60% of area median income. The City helped finance the project with more than $1 million in funding that included proceeds of previous inclusionary zoning funds as well as HOME, CDBG, and CPA funds for property rehabilitation.

Next Steps: The City should identify opportunities to continue to work with developers to help finance the purchase, rehabilitation and conversion of existing market units to affordable ones on a project-by-project basis. For example, Habitat for Humanity could identify additional properties to acquire, either by a market or discounted sale, and come to the City for financial assistance.

Another approach would be for the City to set-aside funding for a special Buy-Down Program and invite developers to apply for these funds. In this approach, the City would obtain CPA funding approval, use funds from the proposed Housing Trust Fund (see strategy 6.1.1) or potential HOME Program funding, and then issue a Request for Proposals (RFP) to solicit interest from potential program administrators, such as a non-profit organization or a consultant, to coordinate program operations. The RFP would clearly state the amount of subsidy available as well as other program terms and conditions that the City wants to insure become part of the program design (e.g., eligibility requirements, type of subsidy, inclusion in SHI, etc.). The respondents would prepare proposals based on the submission requirements included in the RFP, including stating what fees they would be required to administer the program. The City would enter into a formal agreement with the selected program administrator that states the obligations of all parties.

Ideally the proposed Housing Trust, with staff support from the Department of Community Development and Planning, would develop the program, fund and coordinate the RFP process. In the absence of the Housing Trust, the Mayor would provide the necessary oversight of the Department.

The focus of further efforts to purchase and rehab existing market units, converting them to long-term affordability, would continue to be vacant properties that have a blighting influence on their surroundings and/or those housing units that are most affordable in the community's private housing market to minimize the amount of subsidy required to fill the gap between the purchase price and any costs of improvements and the affordable rents or purchase prices.

Resources Required: The City would determine the best resource for subsidizing the Program or continuing "buy-down" efforts sponsored by non-profit or for profit developers on a project by project basis. A per unit subsidy of approximately $80,000 is a reasonable expectation to make this effort work in Peabody based on existing housing costs. Necessary program resources will also include staff time of the Department of Community Development and Planning and possibly donated time of members of the proposed Housing Trust. If a special Program were adopted, additional fees would be necessary to cover the administrative costs of the selected developer.

Projected # Affordable Units Produced: 16 units

PRIORITY HOUSING NEED #3: Prevent Homelessness

As noted in Section 3.4, increases in poverty levels, the continuing loss of affordable housing, the foreclosure crisis, rising housing prices and the cost of living have exacerbated problems for some individuals and families who become at-risk of homelessness. It has become apparent that individuals and families who would not normally access services provided by housing and social service agencies, have been doing so in increasing numbers. These economic changes have placed more pressure on the City and non-profit organizations to provide greater support with fewer resources to prevent family disintegration and loss of housing. In addition to important services, housing should also continue to be developed to serve those who are at-risk of homelessness. Providing stable and affordable opportunities for those transitioning out of shelters or special programs remains a high priority for the City.

6.2.11 Provide Funding to Fight Homelessness

Timeframe: Years 1-2
Responsible Parties: Mayor and City Council

Current Status: The major homeless needs in the area are primarily serviced through the Gloucester/Haverhill/Salem/Essex County CoC which is referred to locally as the North Shore Continuum of Care Alliance, using McKinney-Vento funding. The City of Peabody serves as the lead for the CoC which works closely with a variety of agencies in the region, including those that provide emergency shelter for the homeless and are responsible for administering programs under the McKinney-Vento program.

Peabody's Five Year HUD Consolidated Plan, which the City prepares as a requirement for obtaining federal funds, states that the City, in response to requests, will make funding available to non-profit organizations that provide shelters and assistance to homeless residents, abused women and children, as well as residents with physical or mental disabilities including those with HIV/AIDS. There have been considerable changes in the funding of service providers over the last several years and currently-funded agencies include Emmaus, Inc., Veterans Northeast Outreach Center, and Action, Inc. The amount of funding has remained about $1.8 million per year. It should be noted that HUD's criteria have made it increasingly more burdensome to utilize these funds and some previously-funded agencies have decided to no longer to apply and others have been defunded as a part of the fiercely competitive process.

The Plan further states that a major emphasis for providing such assistance will be on homelessness prevention and programs that provide financial assistance with case management, advocacy, and court support to low- and moderate-income individuals and families who are at risk of becoming homeless as well as housing opportunities for this population. It is important to note however, that it has been unexpectedly difficult to meet these needs as developers are more prone to service those households earning at 60% to 80% of area median income (AMI) as to those extremely low and very low-income households with incomes at 30% and 50% AMI, respectively, who are the most in need of affordable housing and most at-risk of becoming homeless. It is the rare project developer that applies for funding to serve Peabody's most vulnerable residents.

Next Steps: The City will continue to fund important programs, services and developments that provide homelessness prevention to households at risk of becoming homeless, largely with CDBG funding. It will also continue to help homeless households make the transition to permanent housing and independent living by supporting developers interested in creating additional affordable rental units that address lower income households. The City recognizes that rental housing for extremely low-income households is a top priority, however, as noted above, it is a challenging endeavor.

The City of Peabody will also continue to be a key participant in the Peabody Homelessness Task Force Committee, which is a grassroots committee that includes local clergy, service providers and City staff with a goal of identifying and assisting the unsheltered homeless. The City has also provided $215,518 in HOME funding to the North Shore Community Action Program (NSCAP) for a Tenant Based Rental Assistance Program (TBRA) targeted to these unsheltered individuals. This is made more workable with additional support from Community Support for People Experiencing Chronic Homelessness (CSPECH) and Home and Healthy for Good funds. It is the goal and intention that some who are assisted with the temporary vouchers will be able to find permanent housing within the 12-month period. For some this might mean obtaining a permanent subsidy while for other it may mean an affordable studio apartment or other alternative. The Task Force, with funding support from the City of Peabody, has also worked with a local church to provide Temporary Overnight Emergency Shelter (the TOES Program) when the temperature reaches emergency levels.

Required Resources: Approximately $65,000 in CDBG funding per year.

Projected # Affordable Units Produced: The funding will primarily be directed to providing services and unlikely to directly produce affordable units. Units that are likely to be created for the chronically homeless would be counted under strategy 6.2.6.

APPENDIX 1
Local and Regional Organizations/Resources

Peabody is fortunate to have a number of important resources including City government, local non-profit organizations and regional entities that have made substantial contributions to the promotion of affordable housing in Peabody or have the resources to contribute in the future. These resources, including their contact information, are briefly summarized below.

City Government

Department of Community Development and Planning

The Department of Community Development and Planning Department is the City's chief planning and development agency, charged with enhancing Peabody's physical environment to improve the quality of life for those who live, work and visit Peabody. The mission of the Department is to "make Peabody and the region a better place in which to live by creating and promoting a vibrant downtown; a diverse economy within our regional employment centers; a range of housing types to meet the needs of the community; an ecologically sensitive open space network; and a safe, efficient, and environmentally conscious transportation system." The Office staff develops plans, policies, programs and projects related to the City's physical development, economic development, affordable housing, historic preservation and environmental conservation.

In regard to affordable housing, the Office oversees a Critical Home Repair Program, partnering with North Shore Habitat for Humanity to provide assistance for emergency repairs. The program helps homeowners earning at or below 60% of area median income maintain their homes by making health and safety improvements. The subsidy is structured as a zero percent deferred payment loan of up to $10,000 that is forgiven after 15 years or repaid upon the sale or transfer of ownership if such occurs within the 15-year loan term. The units include 15-year deed restrictions.
Contact Info: Habitat for Humanity of the North Shore, 14 Park Street, Danvers; 781-598-0310; habitatforhumanity-northshore.com

Peabody Community Development Authority (CDA)

The Peabody Community Development Authority is responsible for overseeing urban renewal and community development planning and implementation, staffed by the Department of Community Development and Planning. The CDA manages a Business Loan Program that finances fixed assets that create job opportunities and add to the tax base. The interest rate is based on the type of loan and amortization; providing lower interest rates for shorter terms; interest rates range from 4 to 4.75%. There is a $300 non-refundable application fee and a 1.5% origination fee.
Contact Info: City Hall, 24 Lowell Street, 978-538-5771; www.peabody-ma.gov

Peabody Community Preservation Committee

In September of 2000, the Community Preservation Act (CPA) was enacted to provide Massachusetts cities and towns with another tool to conserve open space, preserve historic properties and provide affordable housing. This enabling statute established the authority for municipalities in the Commonwealth to create a Community Preservation Fund derived from a surcharge of up to 3% of the property tax with a corresponding state match of up to 100% funded through new fees at the Registry of Deeds and Land Court. Once adopted the Act requires at least 10% of the monies raised to be distributed to each of the categories (open space/recreation, historic preservation and affordable housing), allowing flexibility in distributing the majority of the money to any of the uses as determined by the community. The Act further requires that a Community Preservation Committee of five to nine members be established, representing various boards or committees in the community, to recommend to the legislative body, in this case City Council, how to spend the Community Preservation Fund.

In November 2001, Peabody residents adopted the Community Preservation Act with a surcharge of 1%. Between 2002 and 2018, $1,667,100 had been allocated to housing-related activities, 12.8% of the total CPA allocation of $13,069,725 during that period.
Contact Info: 24 Lowell Street, 978-536-1216; www.peabody-ma.gov

Peabody Council on Aging
The Peabody Council on Aging is a City department that supports the quality of life of Peabody elders through a wide variety of services including the operation of the Peter A. Torigian Life Center that offers a number of important services to residents 60 years of age or older including a full-time adult day program (five days per week from 8:00 AM to 4:00 PM), a wide range of social services, referral information, daily lunches and home delivered meals (260 per day) that are cooked on site, health clinics, day and overnight trips, and special recreational activities and classes. The Council also operates a van service to those who need transportation, including those requiring wheelchair access. Such services are becoming increasingly important as the city's population ages. The Council relies on more than 400 local volunteers to support its services. Unlike most Councils on Aging, Peabody is also involved in the management of affordable senior housing, specifically 12 congregate units at 75 Central Street (part of the former Seeglitz School) and another 12 at 103 Central Street.

The Council on Aging receives many inquiries regarding housing and has witnessed an increasing demand for subsidized housing for seniors. Some seniors are having their adult children come to live with them, and sometimes defer leaving their homes for senior housing until these children have resettled elsewhere. In fact, one result of the return of adult children is the increase in total household income that can push lower income elderly outside of the eligibility requirements for social service programs including food stamps and fuel assistance. Also, as seniors have not had an increase in Social Security benefits in years, the COA is finding that more residents are having difficulties paying increasing property taxes, food costs, and energy bills and are consequently seeking financial assistance.

In 2010, the City commissioned the Affordable Assisted Living Facility Study Group to explore the feasibility of expanding the City's shelter and care resources for the elderly by building such a facility on the site of its Torigian Community Life Center, which is in the heart of where literally hundreds of senior live given its close proximity to existing senior developments. The study, prepared by the CenterPoint Foundation, included an in-depth needs analysis conducted by the Family Service Association that described an increasingly older and frail population of low-income seniors, many who are medically fragile. Of those seniors who participated in the study, 60% demonstrated a moderate to significant level of frailty. In such a population, a chronic illness resulting in hospitalization, a fall with injury, or even a small shift in daily functioning would likely seriously compromise an individual's ability to live independently. A market study by Kirk and Company and an economic analysis of available financing also pointed towards the feasibility of such development.
Contact Info: 79 Central Street; 978-531-2254; www.peabodycoa.org

Local Agencies and Organizations

Peabody Housing Authority (PHA)

The Peabody Housing Authority (PHA) is a quasi-public agency that was established by the state and City of Peabody to produce housing that is affordable to low- and moderate-income residents. The PHA owns and/or manages 509 units in 16 separate developments, including units for seniors, families, and those with special needs. The Housing Authority also manages approximately 485 rental subsidies/vouchers that enable those who are priced out of the housing market to rent housing in privately owned units, paying only a specified portion of their income on housing costs. For more information on PHA, see Section 3.2.6.

Contact Info: 75 Central Street, #200; 978-531-1938

Regional Agencies and Organizations

North Shore HOME Consortium

Peabody is a member of the North Shore HOME Consortium, which is administered by Peabody's Department of Community Development and Planning. The Consortium administers federal HOME Program funding to support a wide range of housing activities with 30 participating communities that are geographically spread throughout the North Shore and Merrimack Valley, including Peabody.

The Consortium has approximately$1.4 million available per year and divides its annual allocation on a formula basis among the thirty (30) participating communities. It also manages a competitive pool of approximately $700,000 annually to be available to those localities that have encumbered all of their funding or for special initiatives. This competitive pool is available not only to participating municipalities but to nonprofit organizations and private developers with housing projects in those communities as well.

Contact Info: 24 Lowell Street in Peabody; 978-538-5777-; http://www.peabody-ma.gov/home%20consortium.html

Gloucester/Haverhill/Salem/Essex County Continuum of Care (CoC)

The Continuum of Care is designated as the regional entity to provide a continuum of support from emergency shelters to transitional housing and ultimately to permanent housing serving those exiting homelessness. The Continuum of Care, like the HOME Consortium, is staffed by Peabody's Department of Community Development and Planning and includes representatives from the major housing service providers in the area. A major component of the CoC's work is the preparation and submission of an application to HUD for McKinney-Vento Homeless Assistance funding. The planning process associated with this application takes place throughout the year, including an annual "point in time" census count of the homeless (both sheltered and unsheltered individuals and families).

Contact Info: 24 Lowell Street in Peabody; 978-532-3000; www.peabody-ma.gov

Community Teamwork, Inc.

Community Teamwork, Inc. serves as the regional housing agency for northern Middlesex County and Essex County among other functions. As the regional housing agency, it provides housing and community services to low and moderate-income individuals and families including rental assistance programs, elderly housing services, first-time homebuyer programs to support closing and down payment costs, housing advocacy, and support for the homeless. It also has created subsidiary organizations such as Common Ground Development Corporation and Community Housing, Inc. that develop affordable housing and can own and manage already developed properties, respectively. Their Home for Good Program also provides affordable housing marketing and lottery services for affordable housing development and serves as a monitoring agent to enforce affordable use restrictions.

Contact Info: 167 Dutton Street in Lowell; 978-459-0551; www.comteam.org

North Shore Community Development Coalition (NSCDC)
The North Shore CDC, which evolved from the former Salem Harbor CDC, is committed to building and preserving affordable housing in North Shore communities. This organization has completed 287 units to date, primarily in Salem, Beverly and Ipswich, but has the interest and capacity to serve other North Shore communities as well, including Peabody.
Contact Info: 102 Lafayette Street in Salem; 978-825-4009; www.northshorecdc.org

Harborlight Community Partners
Harborlight was established as a non-profit organization to provide service-enriched, affordable housing to communities in Essex County. Founded by the First Baptist Church in Beverly, the organization initially focused on the development of senior housing. It has grown considerably over the past few years, taking over several other housing-related organizations including the North Shore Housing Trust[39] and We Care About Homes.[40] The organization also provides property management and housing marketing/compliance services to non-profit organizations.
Contact Info: 978-922-1305; www.harborlightcp.org

Essex County Community Foundation (ECCF)
The Essex County Community Foundation (ECCF) provides funding support to non-profit organizations serving the needs of residents in Essex County. The organization raises this funding from individuals and families who are searching for ways to donate to their communities, but until the Foundation was formed, had no means of doing so without establishing their own private foundation or moving their funds outside of the county. The Foundation works closely with donors to serve their charitable interests and manage funds that benefit specified organizations, defined purposes and provide scholarships.

ECCF supports many organizations and programs, and in relation to development has created the Essex County Forum (previously called the Environmental Stewardship Initiative) to build connections among area organizations and individuals for promoting long-term sustainable growth in Essex County and averting the negative impact of unplanned growth. The Essex County Forum offers educational and informational events and other outreach on smart growth issues.
Contact Info: 175 Andover Street in Danvers; 978-777-8876; www.eccf.org

Habitat for Humanity of the North Shore
Habitat for Humanity is an ecumenical, non-profit Christian ministry dedicated to building simple, decent homes in partnership with families in need that has grown over the past several decades into one of the largest private homebuilders in the world. The organization has almost 1,600 U.S. affiliates and over 2,100 affiliates worldwide. Habitat for Humanity of the North Shore is based in Lynn and serves a number of communities, including Peabody. The organization built eight (8) three-bedroom units for first-time homebuyers earning at or below 60% of area median income on Park Street in Peabody. It is also administering the City's Critical Housing Repair Program.

[39] The North Shore Housing Trust (NSHT) was an outgrowth of the North Shore Affordable Housing Task Force that was formed by Wellspring House of Gloucester in 1998 to begin to address the issue of affordable housing on a regional basis. NSHT's goal was to become a regional force to develop affordable housing in areas of the North Shore where local affordable housing development capacity was lacking.
[40] We Care About Homes, a non-profit organization that acquired properties and rented units to very low-income families. Based in Beverly, the organization rents 20 units at seven (7) scattered-site properties.

Contact Info: 14 Park Street, Danvers; 781-598-0310; http://www.habitatforhumanity-northshore.com/

Merrimack Valley Housing Partnership (MVHP)
The Merrimack Valley Housing Partnership (MVHP), based in Lowell, is a private, non-profit organization that promotes homeownership opportunities for low- and moderate-income earners. Services include down payment and closing cost assistance as well as first-time homebuyer training programs.
Contact Info: 978-459-8490; www.mvhp.org

Coastal Homebuyer Education, Inc.
Coastal Homebuyer Education, Inc. helps prospective homebuyers in eastern Massachusetts make homeownership a reality. Certified by CHAPA and MassHousing, the organization provides homebuyer counseling, which is often a prerequisite for many financing programs. Seminars are held over four (4) evening meetings or two (2) Saturdays throughout the year for a fee of $60 per household. The organization recently added post purchase classes as well.
Contact Info: www.coastalhbedu.org

Citizens Inn Inc.
Citizens Inn Inc. is a non-profit organization whose mission is to end homelessness one family at a time, serving families from the North Shore, eastern Massachusetts, and sometimes the Merrimack Valley. In addition to providing housing, CAH offers other serves to help individuals and families find permanent solutions to ending their homelessness. The organization is currently worked with the Peabody Historical Commission on the creation of two (2) affordable rental units on Elm Street.
Contact Info: 40 Washington Street in Peabody; 978-531-9775; info@cahns.org

Metropolitan Area Planning Council (MAPC)
The Metropolitan Area Planning Council (MAPC) is Peabody's regional planning agency serving 101 communities in the Greater Boston area. Guided by its regional plan, "MetroFuture: Making a Greater Boston Region", the agency works with participating communities towards "sound municipal management, sustainable land use planning, protection of natural resources, efficient and affordable transportation, a diverse housing stock, public safety, economic development, an informed public, and equity and opportunity among people of all backgrounds". MAPC is currently involved in providing technical assistance to the City through its Perfect Fit Parking Program and support in establishing a Chapter 40R Smart Growth Overlay District.
Contact Info: 60 Temple Place, Boston 02111; 617-451-2770; www.mapc.org

APPENDIX 2
Glossary of Housing Terms

40R/40S
State legislation that provides cash incentives to municipalities that adopt smart growth overlay districts that also increase housing production, including affordable housing (see Appendix 4 for details).

Affordable Housing
A subjective term, but as used in this Plan, refers to housing available to a household earning no more than 80% of area median income at a cost that is no more than 30% of total household income.

Area Median Income (AMI)
The estimated median income, adjusted for family size, by metropolitan area (or county in nonmetropolitan areas) that is adjusted by HUD annually and used as the basis of eligibility for most housing assistance programs. Sometimes referred to as "MFI" or median family income.

Chapter 40B
The state's comprehensive permit law, enacted in 1969, established an affordable housing goal of 10% for every community. In communities below the 10% goal, developers of low- and moderate-income housing can seek an expedited local review under the comprehensive permit process and can request a limited waiver of local zoning and other restrictions, which hamper construction of affordable housing. Developers can appeal to the state if their application is denied or approved with conditions that render it uneconomic, and the state can overturn the local decision if it finds it unreasonable in light of the need for affordable housing.

Chapter 44B
The Community Preservation Act Enabling Legislation that allows communities, at local option, to establish a Community Preservation Fund to preserve open space, historic resources and community housing, by imposing a surcharge of up to 3% on local property taxes. The state provides matching funds from its own Community Preservation Trust Fund, generated from an increase in certain Registry of Deeds' fees.

Cluster Development
A site planning technique that concentrates buildings in specific areas on the site to allow the remaining land to be used for other uses, most typically open space preservation. Some provisions allow density bonuses for certain conditions of development, including affordable housing.

Comprehensive Permit
Expedited permitting process for developers building affordable housing under Chapter 40B "anti-snob zoning" law. A comprehensive permit, rather than multiple individual permits from various local boards, is issued by the local zoning boards of appeals to qualifying developers (see Appendix 4 for details).

Conservation Development
A project that conserves open space, protects site features and provides flexibility in the siting of structures, services and infrastructure.

Department of Housing and Community Development (DHCD)
DHCD is the state's lead agency for housing and community development programs and policy. It oversees state-funded public housing, administers rental assistance programs, provides funds for municipal assistance, and funds a variety of programs to stimulate the development of affordable housing.

Design Guidelines
A set of discretionary standards, including design and performance criteria, developed as a public policy to guide the planning and land development.

Easements
The right to use property for specific purposes or to gain access to another property.

Energy Star
A voluntary labeling program of the US Environmental Protection Agency (EPA) and the US Department of Energy that identifies energy efficient products.

Enhanced Single Room Occupancy (ESRO)
A single person room with a private bath and/or kitchen rather than shared facilities.

Expedited Permitting
The state's Chapter 43D Program allows a community to gain state incentives for projects meeting certain criteria and permitted within a 180-day regulatory process.

Fair Housing Act
Federal legislation, first enacted in 1968, that provides the Secretary of HUD with investigation and enforcement responsibilities for fair housing practices. It prohibits discrimination in housing and lending based on race, color, religion, sex, national origin, handicap, or familial status. There is also a Massachusetts Fair Housing Act, which extends the prohibition against discrimination to sexual orientation, marital status, ancestry, veteran status, children, and age. The state law also prohibits discrimination against families receiving public assistance or rental subsidies, or because of any requirement of these programs.

Form-based Zoning
Zoning regulations that define desired building and site characteristics but do not strictly regulate the uses.

Green Building
A term used to describe buildings that have been designed or retrofitted to reduce energy consumption.

Homeowner Rehabilitation (HOR)
Homeowner and/or investor owner occupied housing rehabilitated through a City program subsidized by State and/or Federal funds.
Inclusionary Zoning
Inclusionary zoning is a zoning ordinance or bylaw that requires a developer to include affordable housing as part of a development or contribute to a fund for such housing.

Infill Development

Infill development is the practice of building on vacant or undeveloped parcels in dense areas, especially urban and inner suburban neighborhoods. Such development promotes compact development, which in turn allows undeveloped land to remain open and green.

Jobs/Housing Balance
A measure of the harmony between available jobs and housing in a specific area.

LEED
Leadership in Energy and Environmental Design (LEED) is a voluntary standard for developing high performance, sustainable buildings that significantly reduce energy consumption. There are various standards, including silver, gold and platinum, which are awarded to particular properties through a certification process.

Local Initiative Program (LIP)
LIP is a state program under which communities may use local resources and DHCD technical assistance to develop affordable housing that is eligible for inclusion on the state Subsidized Housing Inventory (SHI). LIP is not a financing program, but the DHCD technical assistance qualifies as a subsidy and enables locally supported developments that do not require other financial subsidies to use the comprehensive permit process. At least 25% of the units must be set-aside as affordable to households earning less than 80% of area median income (see Appendix 4 for more details).

MassHousing (formerly the Massachusetts Housing Finance Agency, MHFA)
MassHousing is a quasi-public agency created in 1966 to help finance affordable housing programs. MassHousing sells both tax-exempt and taxable bonds to finance its many single-family and multi-family programs.

Metropolitan Statistical Area (MSA)
The term, MSA, is also used for CMSAs (consolidated metropolitan statistical areas) and PMSAs (primary metropolitan statistical areas) that are geographic units used for defining urban areas that are based largely on commuting patterns. The federal Office of Management and Budget defines these areas for statistical purposes only, but many federal agencies use them for programmatic purposes, including allocating federal funds and determining program eligibility. HUD uses MSAs as its basis for setting income guidelines and fair market rents.

Mixed-Income Housing Development
Mixed-income development includes housing for various income levels.

Mixed-Use Development
Mixed-use projects combine different types of development such as residential, commercial, office, industrial and institutional into one project.

Overlay Zoning
A zoning district applied over one or more other districts that contains additional provisions for special features or conditions, such as historic buildings, affordable housing, or wetlands.

Planned Development
A district or project designed to provide an alternative to the conventional suburban development standards that promote a number of important public policy benefits, often including a variety of housing, including affordable housing, and creative site design alternatives.

Public Housing Agency (PHA)
A public entity that operates housing programs: includes state housing agencies (including DHCD), housing finance agencies and local housing authorities. This is a HUD definition that is used to describe the entities that are permitted to receive funds or administer a wide range of HUD programs including public housing and Section 8 rental assistance.

Regional Non-profit Housing Organizations
Regional non-profit housing organizations include nine private, non-profit housing agencies, which administer the Section 8 Program on a statewide basis, under contract with DHCD. Each agency serves a wide geographic region. Collectively, they cover the entire state and administer over 15,000 Section 8 vouchers. In addition to administering Section 8 subsidies, they administer state-funded rental assistance (MRVP) in communities without participating local housing authorities. They also develop affordable housing and run housing rehabilitation and weatherization programs, operate homeless shelters, run homeless prevention and first-time homebuyer programs, and offer technical assistance and training programs for communities. Community Teamwork, Inc., based in Lowell, serves as Peabody's regional non-profit housing organization.

Regional Planning Agencies (RPAs)
These are public agencies that coordinate planning in each of thirteen regions of the state. They are empowered to undertake studies of resources, problems, and needs of their districts. They provide professional expertise to communities in areas such as master planning, affordable housing and open space planning, and traffic impact studies. With the exception of the Cape Cod and Nantucket Commissions, however, which are land use regulatory agencies as well as planning agencies, the RPAs serve in an advisory capacity only. The Metropolitan Area Planning Council serves as Peabody's Regional Planning Agency.

Request for Proposals (RFP)
A process for soliciting applications for funding when funds are awarded competitively or soliciting proposals from developers as an alternative to lowest-bidder competitive bidding.

Section 8
Refers to the major federal (HUD) program – actually a collection of programs – providing rental assistance to low-income households to help them pay for housing. Participating tenants pay 30% of their income (some pay more) for housing (rent and basic utilities) and the federal subsidy pays the balance of the rent. The Program is now officially called the Housing Choice Voucher Program.

Single Room Occupancy (SRO)
A single room occupancy (more commonly SRO, sometimes called single resident occupancy) is a multiple tenant building that houses one or two people in individual rooms (sometimes two rooms, or two rooms with a bathroom or half bathroom), or to the single room dwelling itself. SRO tenants typically share bathrooms and /or kitchens, while some SRO rooms may include kitchenettes, bathrooms, or half-baths. Although many are former hotels, SROs are primarily rented as permanent residences.

Smart Growth
The term used to refer to a rapidly growing and widespread movement that calls for a more coordinated, environmentally sensitive approach to planning and development. A response to the problems associated with unplanned, unlimited suburban development – or sprawl – smart growth principles call for more efficient land use, compact development patterns, less dependence on the automobile, a range of housing opportunities and choices, and improved jobs/housing balance.

Subsidy
Typically refers to financial assistance that fills the gap between the costs of any affordable housing development and what the occupants can afford based on program eligibility requirements. Many times multiple subsidies from various funding sources are required, often referred to as the "layering" of subsidies, in order to make a project feasible. In the state's Local Initiative Program (LIP), DHCD's technical assistance qualifies as a subsidy and enables locally supported developments that do not require other financial subsidies to use the comprehensive permit process. Also, "internal subsidies" refers to those developments that do not have an external source(s) of funding for affordable housing, but use the value of the market units to "cross subsidize" the affordable ones.

Subsidized Housing Inventory (SHI)
This is the official list of units, by municipality, that count toward a community's 10% goal as prescribed by Chapter 40B comprehensive permit law.

Sustainability
Development that includes a balanced set of integrated principles such as social equity, environmental respect, and economic viability, which preserves a high quality of life for current occupants and future generations.

Transfer of Development Rights (TDR)
A program that coordinates the relocation of development from environmentally sensitive areas that should be preserved as open space to areas that can accommodate higher densities.

Transit Oriented Development (TOD)
Development that occurs within walking distance of public transportation, usually bus or trains, to reduce the reliance on the automobile and typically accommodate mixed uses and higher densities.

U.S. Department of Housing and Urban Development (HUD)
The primary federal agency for regulating housing, including fair housing and housing finance. It is also the major federal funding source for affordable housing programs.

APPENDIX 3
Summary of Housing Regulations and Resources

I. SUMMARY OF HOUSING REGULATIONS

A. Chapter 40B Comprehensive Permit Law

The Massachusetts Comprehensive Permit Law, Chapter 40B Sections 20-23 of the General Laws, was enacted as Chapter 774 of the Acts of 1969 to encourage the construction of affordable housing throughout the state, particularly outside of cities. Often referred to as the Anti-Snob Zoning Act, it requires all communities to use a streamlined review process through the local Zoning Board of Appeals for "comprehensive permits" submitted by developers for projects proposing zoning and other regulatory waivers and incorporating affordable housing for at least 25% of the units. Only one application is submitted to the ZBA instead of separate permit applications that are typically required by a number of local departments as part of the normal development process. Here the ZBA takes the lead and consults with the other relevant departments (e.g., building department, planning department, highway department, fire department, sanitation department, etc.) on a single application. The Conservation Commission retains jurisdiction under the Wetlands Protection Act and Department of Environmental Protection, the Building Inspector applies the state building code, and the Board of Health enforces Title V.

For a development to qualify under Chapter 40B, it must meet all of the following requirements:

- Must be part of a "subsidized" development built by a public agency, non-profit organization, or limited dividend corporation.
- At least 25% of the units in the development must be income restricted to households with incomes at or below 80% of area median income and have rents or sales prices restricted to affordable levels income levels defined each year by the US Department of Housing and Urban Development.
- Affordability restrictions must be in effect in perpetuity unless there is a justification for a shorter term that must be approved by DHCD.
- Development must be subject to a regulatory agreement and monitored by a public agency or non-profit organization.
- Project sponsors must meet affirmative marketing requirements.

According to Chapter 40B regulations, the ZBA decision to deny or place conditions on a comprehensive permit project cannot be appealed by the developer if any of the following conditions are met[41]:

- The community has met the "statutory minima" by having at least 10% of its year-round housing stock affordable as defined by Chapter 40B, at least 1.5% of the community's land area includes affordable housing as defined again by 40B, or annual affordable housing construction is on at least 0.3% of the community's land area.
- The community has made "recent progress" adding SHI eligible housing units during the prior 12 months equal at least to 2% of its year-round housing.
- The community has a one- or two-year exemption under Housing Production.
- The application is for a "large project" that equals at least 6% of all housing units in a community with less than 2,500 housing units.

[41] Section 56.03 of the new Chapter 40B regulations.

- A “related application” for the site was filed, pending or withdrawn within 12 months of the application.

If a municipality does not meet any of the above thresholds, it is susceptible to appeals by comprehensive permit applicants of the ZBA’s decision to the state’s Housing Appeals Committee (HAC). This makes the City susceptible to a state override of local zoning if a developer chooses to create affordable housing through the Chapter 40B comprehensive permit process.[42] Recently approved regulations add a new requirement that ZBA’s provide early written notice (within 15 days of the opening of the local hearing) to the applicant and to DHCD if they intend to deny or condition the permit based on the grounds listed above that make the application appeal proof, providing documentation for its position. Under these circumstances, municipalities can count projects with approved comprehensive permits that are under legal approval, but not by the ZBA, at the time.

If the applicant appeals the use of these “appeals proof” grounds, DHCD will review materials from the ZBA and applicant and issue a decision within 30 days of receipt of the appeal (failure to issue a decision is a construction approval of the ZBA’s position). Either the ZBA or applicant can appeal DHCD’s decision by filing an interlocutory appeal with the Housing Appeals Committee (HAC) within 20 days of receiving DHCD’s decision. If a ZBA fails to follow this procedure, it waives its right to deny a permit on these “appeal-proof” grounds.

Recent changes to Chapter 40B also address when a community can or cannot count a unit as eligible for inclusion in the SHI including:

- ***40R***
  Units receiving zoning approval under 40R count when the permit or approval is filed with the municipal clerk provided that no appeals are filed by the board or when the last appeal is fully resolved, similar to a comprehensive permit project.

- ***Certificate of Occupancy***
  Units added to the SHI on the basis of receiving building permits become temporarily ineligible if the C of O is not issued with 18 months.

- ***Large Phased Projects***
  If the comprehensive permit approval or zoning approval allows a project to be built in phases and each phase includes at least 150 units and average time between the start of each phase is 15 months or less, then the entire project remains eligible for the SHI as long as the phasing schedule set forth in the permit approval continues to be met.

[42] Chapter 774 of the Acts of 1969 established the Massachusetts Comprehensive Permit Law (Massachusetts General Laws Chapter 40B) to facilitate the development of affordable housing for low- and moderate-income households (defined as any housing subsidized by the federal or state government under any program to assist in the construction of low- or moderate-income housing for those earning less than 80% of median income) by permitting the state to override local zoning and other restrictions in communities where less than 10% of the year-round housing is subsidized for low- and moderate-income households.

- ***Projects with Expired Use Restrictions***
  Units become ineligible for inclusion in the SHI upon expiration or termination of the initial use restriction unless a subsequent use restriction is imposed.

- ***Biennial Municipal Reporting***
  Municipalities are responsible for providing the information on units that should be included in the SHI through a statement certified by the chief executive officer.

Cities are allowed to set-aside up to 70% of the affordable units available in a 40B development for those who have a connection to the community as defined under state guidelines including current residents, municipal employees, or employees of businesses located in city. It is also worth noting that the City, through its Affirmative Fair Housing Marketing Plan, must demonstrate the associated local need for the community preference and insure that there will be no discriminatory impacts with the use of community preference.

While there are ongoing discussions regarding how the state should count the affordable units for the purpose of determining whether a community has met the 10% goal, in a rental project if the subsidy applies to the entire project, all units are counted towards the state standard. For homeownership projects, only the units made affordable to those households earning within 80% of median income can be attributed to the affordable housing inventory.

There are up to three stages in the 40B process – the project eligibility stage, the application stage, and at times the appeals stage. First, the applicant must apply for eligibility of a proposed 40B project/site from a subsidizing agency. Under Chapter 40B, subsidized housing is not limited exclusively to housing receiving direct public subsidies but also applies to privately-financed projects receiving technical assistance from the State through its Local Initiative Program (LIP) or through MassHousing (Housing Starts Program), Federal Home Loan Bank Board (New England Fund), MassDevelopment, and Massachusetts Housing Partnership Fund. The subsidizing agency then forwards the application to the local Board of Selectmen for a 30-day comment period. The Board of Selectmen solicits comments from City officials and other boards and based on their review the subsidizing agency typically issues a project eligibility letter. Alternatively, a developer may approach the Board of Selectmen for their endorsement of the project, and the Selectmen can submit an application to DHCD for certification under the Local Initiative Program (for more information see description in Section I.E below).

Changes to 40B regulations expand the items a subsidizing agency must consider when determining site eligibility including:

- Information provided by the municipality or other parties regarding municipal actions previously taken to meet affordable housing needs, including inclusionary zoning, multi-family districts and 40R overlay zones.
- Whether the conceptual design is appropriate for the site including building massing, topography, environmental resources, and integration into existing development patterns.
- That the land valuation, as included in the pro forma, is consistent with DHCD guidelines regarding cost examination and limitations on profits and distribution.
- Requires that LIP site approval applications be submitted by the municipality's chief executive officer.

- Specifies that members of local boards can attend the site visit conducted during DHCD's 30-day review period.
- Requires that the subsidizing agency provide a copy of its determination of eligibility to DHCD, the chief executive officer of the municipality, the ZBA and the applicant.

If there are substantial changes to a project before the ZBA issues its decision, the subsidizing agency can defer the re-determination of site/project eligibility until the ZBA issues its decision unless the chief executive officer of the municipality or applicant requests otherwise. New 40B regulations provide greater detail on this re-determination process. Additionally, challenges to project eligibility determinations can only be made on the grounds that there has been a substantial change to the project that affects project eligibility requirements and leaves resolution of the challenge to the subsidizing agency.

The next stage in the comprehensive permit process is the application phase including pre-hearing activities such as adopting rules before the application is submitted, setting a reasonable filing fee, providing for technical "peer review" fees, establishing a process for selecting technical consultants, and setting forth minimum application submission requirements. Failure to open a public hearing within 30 days of filing an application can result in constructive approval. The public hearing is the most critical part of the whole application process. Here is the chance for the Zoning Board of Appeals' consultants to analyze existing site conditions, advise the ZBA on the capacity of the site to handle the proposed type of development, and to recommend alternative development designs. Here is where the ZBA gets the advice of experts on unfamiliar matters – called peer review. Consistency of the project with local needs is the central principle in the review process.

Another important component of the public hearing process is the project economic analysis that determines whether conditions imposed, and waivers denied would render the project "uneconomic". The burden of proof is on the applicant, who must prove that it is impossible to proceed and still realize a reasonable return, which cannot be more than 20%. Another part of the public hearing process is the engineering review. The ZBA directs its consultants to analyze the consistency of the project with local by-laws and regulations and to examine the feasibility of alternative designs.

Chapter 40B regulations also add a number of requirements related to the hearing process that include:

- The hearing is terminated within 180 days of the filing of a complete application unless the applicant consents to extend.
- Allows communities already considering three (3) or more comprehensive permit applications to stay a hearing on additional applications if the total units under consideration meet the definition of a large project (larger of 300 units or 2% of housing in communities with 7,500 housing units as of the latest Census, 250 units in communities with 5,001 to 7,499 total units, 200 units in communities with 2,500 to 5,000 units, and 150 units or 10% of housing in communities with less than 2,500 units).
- Local boards can adopt local rules for the conduct of their hearings, but they must obtain an opinion from DHCD that their rules are consistent with Chapter 40B.
- Local boards cannot impose "unreasonable or unnecessary" time or cost burdens on an applicant and cannot require an applicant to pay legal fees for general representation of the ZBA or other boards. The new requirements go into the basis of the fees in more detail, but as a

general rule the ZBA may not assess any fee greater than the amount that might be appropriated from town or city funds to review a project of a similar type and scale.

- An applicant can appeal the selection of a consultant within 20 days of the selection on the grounds that the consultant has a conflict of interest or lacks minimum required qualifications.
- Specifies and limits the circumstances under which ZBA's can review proformas.
- Zoning waivers are only required under "as of right" requirements, not from special permit requirements.
- Forbids ZBA's from imposing conditions that deviate from the project eligibility requirements or that would require the project to provide more affordable units than the minimum threshold required by DHCD guidelines.
- States that ZBA's cannot delay or deny an application because a state or federal approval has not been obtained.
- Adds new language regarding what constitutes an uneconomic condition including requiring applicants to pay for off-site public infrastructure or improvements if they involve pre-existing conditions, are not usually imposed on unsubsidized housing or are disproportionate to the impacts of the proposed development or require a reduction in the number of units other than on a basis of legitimate local concerns (health, safety, environment, design, etc.). Also states that a condition shall not be considered uneconomic if it would remove or modify a proposed nonresidential element of a project that is not allowed by right.

After the public hearing is closed, the ZBA must set-aside at least two sessions for deliberations within 40 days of the close of the hearing. These deliberations can result in either approval, approval with conditions, or denial.

Subsidizing agencies are required to issue final project eligibility approvals following approval of the comprehensive permit reconfirming project eligibility, including financial feasibility, and approving the proposed use restriction and finding that the applicant has committed to complying with cost examination requirements. New Chapter 40B regulations set forth the basic parameters for insuring that profit limitations are enforced, while leaving the definition of "reasonable return" to the subsidizing agency in accordance with DHCD guidelines. The applicant or subsequent developer must submit a detailed financial statement, prepared by a certified public accountant, to the subsidizing agency in a form and upon a schedule determined by the DHCD guidelines.

If the process heads into the third stage – the appeals process – the burden is on the ZBA to demonstrate that the denial is consistent with local needs, meaning the public health and safety and environmental concerns outweigh the regional need for housing. If a local ZBA denies the permit, a state Housing Appeals Committee (HAC) can overrule the local decision if less than 10% of the locality's year round housing stock has been subsidized for households earning less than 80% of median income, if the locality cannot demonstrate health and safety reasons for the denial that cannot be mitigated, or if the community has not met housing production goals based on an approved plan or other statutory minima listed above. The HAC has upheld the developer in the vast majority of the cases, but in most instances promotes negotiation and compromise between the developer and locality. In its 30-year history, only a handful of denials have been upheld on appeal. The HAC cannot issue a permit but may only order the ZBA to issue one. Also, any aggrieved person, except the applicant, may appeal to the Superior Court or Land Court, but even for abutters, establishing "standing" in court is an uphill battle. Appeals from approvals are often filed to force a delay in commencing a project, but the appeal must demonstrate "legal error" in the decision of the ZBA or HAC.

B. Housing Production Regulations

As part of the Chapter 40B comprehensive permit regulations, the Massachusetts Department of Housing and Community Development (DHCD) is administering the Housing Production Program in accordance with regulations that enable cities and towns to do the following:

- Prepare and adopt a Housing Production Plan that demonstrates production of an increase of .05% over one year or 1.0% over two-years of its year-round housing stock eligible for inclusion in the Subsidized Housing Inventory (111 units and 222 units, respectively, for Peabody for *approval* by DHCD.[43]
- Request *certification* of compliance with the plan by demonstrating production of at least the number of units indicated above.
- Through local ZBA action, deny a comprehensive permit application during the period of certified compliance, which is 12 months following submission of the certification documentation to DHCD, or 24 months if the 1.0% threshold is met.

For the plan to be acceptable to DHCD it must meet the following requirements:

- Include a comprehensive housing needs assessment to establish the context for municipal action based on the most recent census data. The assessment must include a discussion of municipal infrastructure based on future planned improvements.
- Address a mix of housing consistent with identified needs and market conditions.
- Address the following strategies including -
  - Identification of geographic areas in which land use regulations will be modified to accomplish affordable housing production goals.
  - Identification of specific sites on which comprehensive permit applications will be encouraged.
  - Preferable characteristics of residential development such as infill housing, clustered areas, and compact development.
  - Municipally owned parcels for which development proposals will be sought.
  - Participation in regional collaborations addressing housing development.

The Board of Selectmen and Planning Board must adopt plans, and the term of an approved plan is five (5) years.

C. Chapter 40R/40S

In 2004, the State Legislature approved a new zoning tool for communities in recognition that escalating housing prices, now beyond the reach of increasing numbers of state residents, are causing graduates from area institutions of higher learning to relocate to other areas of the country in search of greater affordability. The Commonwealth Housing Task Force, in concert with other organizations and institutions, developed a series of recommendations, most of which were enacted by the State Legislature as Chapter 40R of the Massachusetts General Laws. The key components of these regulations are that "the state provide financial and other incentives to local communities that pass Smart Growth Overlay Zoning Districts that allow the building of single-family homes on smaller lots and

[43] Massachusetts General Law Chapter 40B, 760 CMR 31.07 (1)(i).

the construction of apartments for families at all income levels, and the state increase its commitment to fund affordable housing for families of low and moderate income".[44]

The statute defines 40R as "a principle of land development that emphasizes mixing land uses, increases the availability of affordable housing by creating a range of housing opportunities in neighborhoods, takes advantage of compact design, fosters distinctive and attractive communities, preserves opens space, farmland, natural beauty and critical environmental areas, strengthens existing communities, provides a variety of transportation choices, makes development decisions predictable, fair and cost effective and encourages community and stakeholder collaboration in development decisions."[45] The key components of 40R include:

- Allows local option to adopt Overlay Districts near transit, areas of concentrated development, commercial districts, rural village districts, and other suitable locations;
- Allows "as-of-right" residential development of minimum allowable densities;
- Provides that 20% of the units be affordable;
- Promotes mixed-use and infill development;
- Provides two types of payments to municipalities; and
- Encourages open space and protects historic districts.

The incentives prescribed by the Task Force and passed by the Legislature include an incentive payment upon the passage of the Overlay District based on the number of projected housing units as follows:

Incentive Units	Payments
Up to 20	$10,000
21-100	$75,000
101-200	$200,000
210-500	$350,000
501 or more	$600,000

There are also density bonus payments of $3,000 for each residential unit issued a building permit. To be eligible for these incentives the Overlay Districts need to allow mixed-use development and densities of 20 units per acre for apartment buildings, 12 units per acre for two and three-family homes, and at least eight units per acre for single-family homes. Communities with populations of less than 10,000 residents are eligible for a waiver of these density requirements, however significant hardship must be demonstrated. The Zoning Districts would also encourage housing development on vacant infill lots and in underutilized nonresidential buildings. The Task Force emphasizes that Planning Boards, which would prepare the Zoning District bylaw (ordinance) for Town Meeting (City Council) enactment, would be "able to ensure that what is built in the District is compatible with and reflects the character of the immediate neighborhood."[46]

The principal benefits of 40R include:

[44] Edward Carman, Barry Bluestone, and Eleanor White for The Commonwealth Housing Task Force, "A Housing Strategy for Smart Growth and Economic Development: Executive Summary", October 30, 2003, p. 3.
[45] Massachusetts General Law, Chapter 40R, Section 11.
[46] "A Housing Strategy for Smart Growth and Economic Development: Executive Summary," p. 4.

- Expands a community's planning efforts;
- Allows communities to address housing needs;
- Allows communities to direct growth;
- Can help communities meet planned production goals and 10% threshold under Chapter 40B;
- Can help identify preferred locations for 40B developments; and
- State incentive payments.

The formal steps involved in creating Overlay Districts are as follows:

- The City holds a public hearing as to whether to adopt an Overlay District per the requirements of 40R;
- The City applies to DHCD prior to adopting the new zoning;
- DHCD reviews the application and issues a Letter of Eligibility if the new zoning satisfies the requirements of 40R;
- The City adopts the new zoning through a two-thirds vote of City Council subject to any modifications required by DHCD;
- The City submits evidence of approval to DHCD upon the adoption of the new zoning; and
- DHCD issues a letter of approval, which indicates the number of incentive units and the amount of payment.

The state recently enacted Chapter 40S under the Massachusetts General Law that provides additional benefits through insurance to cities/towns that build affordable housing under 40R that they would not be burdened with the extra school costs caused by school-aged children who might move into this new housing. This funding was initially included as part of 40R but was eliminated during the final stages of approval. In effect, 40S is a complimentary insurance plan for communities concerned about the impacts of a possible net increase in school costs due to new housing development.

D. Local Initiative Program (LIP) Guidelines

The Local Initiative Program (LIP) is a technical assistance subsidy program to facilitate Chapter 40B developments and locally produced affordable units. The general requirements of LIP include insuring that projects are consistent with sustainable or smart growth development principles as well as local housing needs. LIP recognizes that there is a critical need for all types of housing but encourages family and special needs housing in particular. Age-restricted housing (over 55) is allowed but the locality must demonstrate actual need and marketability. DHCD has the discretion to withhold approval of age-restricted housing if other such housing units within the community remain unbuilt or unsold or if the age-restricted units are unresponsive to the need for family housing within the context of other recent local housing efforts.

There are two types of LIP projects, those using the comprehensive permit process, the so-called "friendly" 40B's, and Local Action Units, units where affordability is a result of some local action such as inclusionary zoning, Community Preservation funding, other regulatory requirements, etc.

Specific LIP requirements include the following by category:

Income and Assets

- Must be affordable to those earning at or below 80% of area median income adjusted by family size and annually by HUD. Applicants for affordable units must meet the program income limits in effect at the time they apply for the unit and must continue to meet income limits in effect when they actually purchase a unit.

- For homeownership units, the household may not have owned a home within the past three years except for age-restricted “over 55” housing.
- For homeownership projects, assets may not be greater than $75,000 except for age-restricted housing where the net equity from the ownership of a previous house cannot be more than $200,000.
- Income and asset limits determine eligibility for lottery participation.

Allowable Sales Prices and Rents[47]

- Rents are calculated at what is affordable to a household earning 80% of area median income adjusted for family size, assuming they pay no more than 30% of their income on housing. Housing costs include rent and payments for heat, hot water, cooking fuel, and electric. If there is no municipal trash collection a trash removal allowance should be included. If utilities are separately metered and payed by the tenant, the LIP rent is reduced based on the area’s utility allowance. Indicate on the DHCD application whether the proposed rent has been determined with the use of utility allowances for some or all utilities.
- Sales prices of LIP units are set so a household earning 70% of area median income would have to pay no more than 30% of their income for housing. Housing costs include mortgage principal and interest on a 30-year fixed term mortgage at 95% of purchase price, property taxes, condo fees[48], private mortgage insurance (if putting less than 20% of purchase price down), and hazard insurance.
- The initial maximum sales price or rent is calculated as affordable to a household with a number of household members equal to the number of bedrooms plus one (for example a two-bedroom unit would be priced based on what a three-person household could afford).

Allowable Financing and Costs

- Allowable development costs include the “as is” value of the property based on existing zoning at the time of application for a project eligibility letter (initial application to DHCD). Carrying costs (i.e., property taxes, property insurance, interest payments on acquisitions financing, etc.) can be no more than 20% of the “as is” market value unless the carrying period exceeds 24 months. Reasonable carrying costs must be verified by the submission of documentation not within the exclusive control of the applicant.
- Appraisals are required except for small projects of 20 units or less at the request of the Board of Selectmen where the applicant for the LIP comprehensive permit submits satisfactory evidence of value.
- Profits are limited to no more than 20% of total allowable development costs in homeownership projects.
- In regard to rental developments, payment of fees and profits are limited to no more than 10% of total development costs net of profits and fees and any working capital or reserves intended for property operations. Beginning upon initial occupancy and then proceeding on an annual

[47] DHCD has an electronic mechanism for calculating maximum sales prices on its website at www.mass.gov/dhcd.

[48] DHCD will review condo fee estimates and approve a maximum condo fee as part of the calculation of maximum sales price. The percentage interests assigned to the condo must conform to the approved condo fees and require a lower percentage interest assigned to the affordable units as opposed to the market rate ones. DHCD must review the Schedule of Beneficial Interests in the Master Deed to confirm that LIP units have been assigned percentage interests that correspond to the condo fees.

basis, annual dividend distributions will be limited to no more than 10% of the owner's equity in the project. Owner's equity is the difference between the appraised as-built value and the sum of any public equity and secured debt on the property.

- For LIP comprehensive permit projects, DHCD requires all developers to post a bond (or a letter of credit) with the municipality to guarantee the developer's obligations to provide a satisfactory cost certification upon completion of construction and to have any excess profits, beyond what is allowed, revert back to the municipality. The bond is discharged after DHCD has determined that the developer has appropriately complied with the profit limitations.
- No third party mortgages are allowed for homeownership units.

Marketing and Outreach

- Marketing and outreach, including lottery administration must adhere to all Fair Housing laws and the state's Affirmative Fair Housing Marketing Plan Guidelines.
- LIP requires that the lottery draw and rank households by size.
- If there are proportionately less minority applicants in the community preference pool than the proportion in the region, a preliminary lottery must be held to boost, if possible, the proportion of minority applicants to this regional level.
- A maximum of up to 70% of the units may be local preference units for those who have a connection to the community as defined by the state under Section III.C of the Comprehensive Permit Guidelines.
- The Marketing Plan must affirmatively provide outreach to area minority communities to notify them about availability of the unit(s) and must demonstrate the need for local preference as well as insure that there will be no discriminatory impacts as a result of using local preference criteria.
- Marketing materials must be available/application process open for a period of at least 60 days.
- Marketing should begin about six (6) months before occupancy.
  Lottery must be held unless there are no more qualified applicants than units available.

Regulatory Requirements

- The affordable unit design, type, size, etc. must be the same as the market units and dispersed throughout the development.
- Units developed through LIP as affordable must be undistinguishable from market units as viewed from the exterior (unless the project has a DHCD-approved alternative development plan that is only granted under exceptional circumstances) and contain complete living facilities.
- For over 55 projects, only one household member must be 55 or older.
- Household size relationship to unit size is based on "households" = number of bedrooms plus one – i.e., a four-person household in a three-bedroom unit (important also for calculating purchase prices of the affordable units for which LIP has a formula as noted above).
- Must have deed restrictions in effect in perpetuity unless the applicant or municipality can justify a shorter term to DHCD.
- All affordable units for families must have at least two or more bedrooms and meet state sanitary codes and these minimum requirements –

  1 bedroom – 700 square feet/1 bath
  2 bedrooms – 900 square feet/1 bath
  3 bedrooms – 1,200 square feet/ 1 ½ baths
  4 bedrooms – 1,400 square feet/2 baths

- Appraisals may take into account the probability of obtaining a variance, special permit or other zoning relief but must exclude any value relating to the possible issuance of a comprehensive permit.

The process that is required for using LIP for 40B developments – "friendly" comprehensive permit projects – is largely developer driven. It is based on the understanding that the developer and City are working together on a project that meets community needs. Minimum requirements include:

- Written support of the municipality's chief elected official, the Board of Selectmen in the case of towns, and the local housing partnership, trust or other designated local housing entity, if applicable. The chief executive officer is in fact required to submit the application to DHCD.
- At least 25% of the units must be affordable and occupied by households earning at or below 80% of area median income or at least 20% of units restricted to households at or below 50% of area median income.
- Affordability restrictions must be in effect in perpetuity, to be monitored by DHCD through a recorded regulatory agreement.
- Project sponsors must prepare and execute an affirmative fair marketing plan that must be approved by DHCD.
- Developer's profits are restricted per Chapter 40B requirements.

The process that is required for using LIP for 40B developments – "friendly" comprehensive permit projects – is as follows:

Application process
- Developer meets with City
- Developer and City agree to proposal
- City chief elected officer submits application to DHCD with developer's input

DHCD review involves the consideration of:
- Sustainable development criteria (redevelop first, concentrate development, be fair, restore and enhance the environment, conserve natural resources, expand housing opportunities, provide transportation choice, increase job opportunities, foster sustainable businesses, and plan regionally),
- Number and type of units,
- Pricing of units to be affordable to households earning no more than 70% of area median income,
- Affirmative marketing plan,
- Financing, and
- Site visit.

DHCD issues site eligibility letter that enables the developer to bring the proposal to the ZBA for processing the comprehensive permit.

Zoning Board of Appeals holds hearing
- Developer and City sign regulatory agreement to guarantee production of affordable units that includes the price of units and deed restriction in the case of homeownership and limits on rent

increases if a rental project. The deed restriction limits the profit upon resale and requires that the units be sold to another buyer meeting affordability criteria.

- Developer forms a limited dividend corporation that limits profits.
- The developer and City sign a regulatory agreement.

Marketing

- Marketing plan must provide outreach to area minority communities to notify them about availability of the unit(s).
- Local preference is limited to those who live/work in the community with a maximum of 70% of the affordable units.
- Marketing materials must be available/application process open for a period of at least 60 days.
- Lottery must be held.

DHCD approval must include

- Marketing plan, lottery application, and lottery explanatory materials
- Regulatory agreement (DHCD is a signatory)
- Deed rider (Use standard LIP document)
- Purchase arrangements for each buyer including signed mortgage commitment, signed purchase and sale agreement and contact information of purchaser's closing attorney.

As mentioned above, in addition to being used for "friendly" 40B projects, LIP can be used for counting those affordable units as part of a City's Subsidized Housing Inventory that are created as a result of some local action. Following occupancy of the units, a Local Action Units application must be submitted to DHCD for the units to be counted as affordable. This application is on DHCD's web site.

The contact person at DHCD is Rieko Hayashi of the LIP staff (phone: 617-573-1309; fax: 617-573-1330; email: rieko.hayashi@state.ma.us).

E. <u>MassWorks Infrastructure Program</u>

The MassWorks Infrastructure Program provides a one-stop shop for municipalities and other eligible public entities seeking public infrastructure funding to support economic development and job creation. The Program represents an administrative consolidation of six former grant programs:

- Public Works Economic Development (PWED)
- Community Development Action Grant (CDAG)
- Growth Districts Initiative (GDI) Grant Program
- Massachusetts Opportunity Relocation and Expansion Program (MORE)
- Small Town Rural Assistance Program (STRAP)
- Transit Oriented Development (TOD) Program

The MassWorks Infrastructure Program provides a one-stop shop for municipalities and other eligible public entities seeking public infrastructure funding to support:

Economic development and job creation and retention
Housing development at density of at least 4 units to the acre (both market and affordable units)
Transportation improvements to enhancing safety in small, rural communities

The MassWorks Infrastructure Program is administered by the Executive Office of Housing and Economic Development in cooperation with the Department of Transportation and Executive Office for Administration & Finance.

II. SUMMARY OF HOUSING RESOURCES

Those programs that may be most appropriate to development activity in Peabody are described below.

A. Technical Assistance

1. Housing Choice Initiative

The state has stated its commitment to producing 135,000 new housing units statewide by 2025 or by about 17,000 units per year, an ambitious task. To help accomplish this, it has created the Housing Choice Initiative that has three basic components:

1. *Legislation*
   The Baker Administration filed legislation, An Act to Promote Housing Choices, which has been referred to the House Committee on Ways and Means. The key element of the bill is to reduce the required vote from a two-thirds supermajority to a simple majority for certain zoning changes including:

   - Chapter 40R
   - Cluster bylaws
   - Reductions in parking and dimensional requirements
   - Transfer of Development Rights/natural resource protection zoning
   - Increased density through the Special Permit process
   - Accessory dwelling units

2. *Capital Grant Funding*
   Communities can receive a Housing Choice designation that provides exclusive admission to new Housing Choice Capital Grants as well as priority access to existing grant and capital funding programs such as MassWorks, Complete Streets, MassDOT projects, and LAND and PARC grants. To obtain this designation, the community must submit an application that documents the increase in the total year-round housing stock from the 2010 census and the cumulative net increase in year-round units from January 1, 2013 through December 31, 2017. Documentation will be based on building permit data coming from the Building Department.

3. *Technical Assistance Resources*
   The state has also allocated $2 million in technical assistance grants for planning assistance through what it is calling the new Planning for Production Program. Support includes:

   - Crafting new zoning to result in new housing production through Chapter 40A, 40R or a collaborative Chapter 40B proposal.
   - Planning and designing public infrastructure projects or enhancements that will facilitate needed housing growth.
   - Public education initiatives regarding financial feasibility, development cost-benefit analysis, local infrastructure needs, and school costs relative to the potential for new housing growth.

2. Planning Assistance Toward Housing (PATH)

A relatively new state-funded initiative, the Planning Assistance Toward Housing (PATH) Program, provides planning assistance to municipalities for housing production. The state has made $600,000 in planning grants available through the program to support locally initiated planning for municipally owned sites, changes to land use and zoning, and other strategies that directly contribute to housing production. (This Program currently has no funding.)

3. Peer-to-Peer Technical Assistance

This state program utilizes the expertise and experience of local officials from one community to provide assistance to officials in another comparable community to share skills and knowledge on short-term problem solving or technical assistance projects related to community development and capacity building. Funding is provided through the Community Development Block Grant Program and is limited to grants of no more than $1,000, providing up to 30 hours of technical assistance.

Applications are accepted on a continuous basis, but funding is limited (contact is Karl McLaurin at DHCD). To apply, a municipality must provide DHCD with a brief written description of the problem or issue, the technical assistance needed and documentation of a vote of the Board of Selectmen or letter from the Mayor supporting the request for a peer. Communities may propose a local official from another community to serve as the peer or ask DHCD for a referral. If DHCD approves the request and once the peer is recruited, DHCD will enter into a contract for services with the municipality. When the work is completed to the municipality's satisfaction, the City must prepare a final report, submit it to DHCD, and request reimbursement for the peer.

4. MHP Intensive Community Support Team

The Massachusetts Housing Partnership Fund is a quasi-public agency that offers a wide range of technical and financial resources to support affordable housing. The Intensive Community Support Team provides sustained, in-depth assistance to support the development of affordable housing. Focusing on housing production, the Team helps local advocates move a project from the conceptual phase through construction, bringing expertise and shared lessons from other parts of the state. The team can also provide guidance on project finance. Those communities, which are interested in this initiative, should contact the MHP Fund directly for more information. (Contact MHP's Community Housing Initiatives Team at 617-330-9944 ext. 227.)

5. MHP Chapter 40B Technical Assistance Program

Working with DHCD, MHP launched this program in 1999 to provide technical assistance to those communities needing assistance in reviewing comprehensive permit applications. The Program offers up to $10,000 in third-party technical assistance to enable communities to hire consultants to help them review Chapter 40B applications. Those communities that are interested in this initiative should contact the MHP Fund directly for more information.

MHP recently announced new guidelines to help cities and towns review housing development proposals under Chapter 40B including:

- State housing agencies will now appraise and establish the land value of 40B sites before issuing project eligibility letters.
- State will put standards in place for determining when permit conditions make a 40B development "uneconomic".

- There will be set guidelines on determining related-party transactions, i.e., when a developer may also have a role as contractor or realtor.
- Advice on how to identify the most important issues early and communicate them to the developer, how informal work sessions can be effective, and how to make decisions that are unlikely to be overturned in court.

(Contact MHP's Community Housing Initiatives Team at 617-330-9944 ext. 227 for more information.)

B. Housing Development

While comprehensive permits typically do not involve external public subsidies but use internal subsidies by which the market units in fact subsidize the affordable ones, communities are finding that they also require public subsidies to cover the costs of affordable or mixed-income residential development and need to access a range of programs through the state and federal government and other financial institutions to accomplish their objectives and meet affordable housing goals. Because the costs of development are typically significantly higher than the rents or purchase prices that low- and moderate-income tenants can afford, multiple layers of subsidies are often required to fill the gaps. Sometimes even Chapter 40B developments are finding it useful to apply for external subsidies to increase the numbers of affordable units, to target units to lower income or special needs populations, or to fill gaps that market rates cannot fully cover.

The state requires applicants to submit a One Stop Application for most of its housing subsidy programs in an effort to standardize the application process across agencies and programs. A Notice of Funding Availability (NOFA) is issued by the state usually twice annually for its rental programs and homeownership initiatives. Using the One Stop Application, applicants can apply to several programs simultaneously to support the funding needs of a particular project.

1. HOME Program

HUD created the HOME Program in 1990 to provide grants to states, larger cities and consortia of smaller cities and towns to do the following:

- Produce rental housing;
- Provide rehabilitation loans and grants, including lead paint removal and accessibility modifications, for rental and owner-occupied properties;
- Offer tenant-based rental assistance (two-year subsidies); and/or
- Assist first-time homeowners.

Unlike most cities, Peabody does not receive an annual allocation of HOME funding directly from the state, but is part of the North Shore HOME Consortium, receiving a small annual allocation and access to further funding from a competitive pool. Peabody is actually the lead agency that provides administrative support to the Consortium.

The HOME Program funding is targeted to homebuyers or homeowners earning no more than 80% of median income and to rental units where at least 90% of the units must be affordable and occupied by households earning no more than 60% of median income, the balance to those earning within 80% of median. Moreover, for those rental projects with five or more units, at least 20% of the units must be reserved for households earning less than 50% of median income. In addition to income guidelines, the

HOME Program specifies the need for deed restrictions, resale requirements, and maximum sales prices or rentals.

The HOME Rental Program is targeted to the acquisition and rehabilitation of multi-family distressed properties or new construction of multi-family rental housing from five to fifty units. Once again, the maximum subsidy per project is $750,000 and the maximum subsidy per unit in localities that receive HOME or CDBG funds directly from HUD is $50,000 (these communities should also include a commitment of local funds in the project). Those communities that do not receive HOME or CDBG funds directly from HUD can apply for up to $65,000 per unit. Subsidies are in the form of deferred loans at 0% interest for 30 years. State HOME funding cannot be combined with another state subsidy program with several exceptions including the Low Income Housing Tax Credits, HIF and the ONE Mortgage Program.

2. Community Development Block Grant Program (CDBG)

In addition to funding for the Peer-to-Peer Program mentioned in the above section, there are other housing resources supported by federal CDBG funds that are distributed by formula to Massachusetts.

The **Massachusetts Small Cities Program** that has a set-aside of Community Development Block Grant (CDBG) funds to support a range of eligible activities including housing development. However, at least 70% of the money must provide benefits to households earning within 80% of median income. This money is for those non-entitlement localities that do not receive CDBG funds directly from HUD. Funds are awarded on a competitive basis through Notices of Funding Availability with specific due dates or through applications reviewed on a rolling basis throughout the year, depending on the specific program. This funding supports a variety of specific programs.

3. Housing Stabilization Fund (HSF)

The state's Housing Stabilization Fund (HSF) was established in 1993 through a Housing Bond bill to support housing rehabilitation through a variety of housing activities including homeownership (most of this funding has been allocated for the ONE Mortgage Program) and rental project development. The state subsequently issued additional bond bills to provide more funding. The HSF Rehabilitation Initiative is targeted to households with incomes within 80% of median income, with resale or subsequent tenancy for households within 100% of median income. The funds can be used for grants or loans through state and local agencies, housing authorities and community development corporations with the ability to subcontract to other entities. The funds have been used to match local HOME program funding, to fund demolition, and to support the acquisition and rehabilitation of affordable housing. In addition to a program directed to the rehabilitation of abandoned, distressed or foreclosed properties, the HSF provides funds to municipalities for local revitalization programs directed to the creation or preservation of rental projects. As with HOME, the maximum amount available per project is $750,000 and the maximum per unit is $65,000 for communities that do not receive HOME or CDBG funds directly from HUD, and $50,000 for those that do. Communities can apply for HSF funding biannually through the One Stop Application.

4. Low Income Housing Tax Credit Program

The Low Income Housing Tax Credit Program was created in 1986 by the Federal Government to offer tax credits to investors in housing development projects that include some low-income units. The tax credit program is often the centerpiece program in any affordable rental project because it brings in valuable equity funds. Tax credits are either for 4% or 9% of the development or rehab costs for each affordable unit for a ten-year period. The 4% credits have a present value of 30% of the development costs, except for the costs of land, and the 9% credit have a present value equal to 70% of the costs of developing the affordable units, with the exception of land. Both the 4% and 9% credits can be sold to investors for close to their present values.

The Federal Government limits the 9% credits and consequently there is some competition for them, nevertheless, most tax credit projects in Massachusetts are financed through the 9% credit. Private investors, such as banks or corporations, purchase the tax credits for about 80 cents on the dollar, and their money serves as equity in a project, reducing the amount of the debt service and consequently the rents. The program mandates that at least 20% of the units must be made affordable to households earning within 50% of median income or 40% of the units must be affordable to households earning up to 60% of median income. Those projects that receive the 9% tax credits must produce much higher percentages of affordable units.

The Massachusetts Legislature has enacted a comparable state tax credit program, modeled after the federal tax credit program. The One Stop Application is also used to apply for this source of funding.

5. Affordable Housing Trust Fund

The Affordable Housing Trust Fund (AHTF) was established by an act of the State Legislature and is codified under Chapter 121-D of the Massachusetts General Laws. The AHTF operates out of DHCD and is administered by MassHousing with guidance provided by an Advisory Committee of housing advocates. The purpose of the fund is to support the creation/preservation of housing that is affordable to people with incomes that do not exceed 110% of the area median income. The AHTF can be used to support the acquisition, development and/or preservation of affordable housing units. AHTF assistance can include:

- Deferred payment loans, low/no-interest amortizing loans.
- Down payment and closing cost assistance for first-time homebuyers.
- Credit enhancements and mortgage insurance guarantees.
- Matching funds for municipalities that sponsor affordable housing projects.
- Matching funds for employer-based housing and capital grants for public housing.

Funds can be used to build or renovate new affordable housing, preserve the affordability of subsidized expiring use housing, and renovate public housing. While the fund has the flexibility of serving households with incomes up to 110%, preferences for funding will be directed to projects involving the production of new affordable units for families earning below 80% of median income. The program also includes a set-aside for projects that serve homeless households or those earning below 30% of median income. Once again, the One Stop Application is used to apply for funding, typically through the availability of two funding rounds per year.

6. Housing Innovations Fund (HIF)

The state also administers the Housing Innovations Fund (HIF) that was created by a 1987 bond bill and expanded under two subsequent bond bills to provide a 5% deferred loan to non-profit organizations for no more than $500,000 per project or up to 30% of the costs associated with developing alternative forms of housing including limited equity coops, mutual housing, single-room occupancy housing, special needs housing, transitional housing, domestic violence shelters and congregate housing. At least 25% of the units must be reserved for households earning less than 80% of median income and another 25% for those earning within 50% of area median income. HIF can also be used with other state subsidy programs including HOME, HSF and Low Income Housing Tax Credits. The Community Economic Development Assistance Corporation (CEDAC) administers this program. Applicants are required to complete the One-Stop Application.

7. Federal Home Loan Bank Board's Affordable Housing Program (AHP)

Another potential source of funding for both homeownership and rental projects is the Federal Home Loan Bank Board's Affordable Housing Program (AHP) that provides subsidies to projects targeted to households earning between 50% and 80% of median income, with up to $300,000 available per project. This funding is directed to filling existing financial gaps in low- and moderate-income affordable housing projects. There are typically two competitive funding rounds per year for this program.

8. MHP Permanent Rental Financing Program

The state also provides several financing programs for rental projects through the Massachusetts Housing Partnership Fund. The Permanent Rental Financing Program provides long-term, fixed-rate permanent financing for rental projects of five or more units from $100,000 loans to amounts of $2 million. At least 20% of the units must be affordable to households earning less than 50% of median income or at least 40% of the units must be affordable to households earning less than 60% of median income or at least 50% of the units must be affordable to households earning less than 80% of median income. MHP also administers the Permanent Plus Program targeted to multi-family housing or SRO properties with five or more units where at least 20% of the units are affordable to households earning less than 50% of median income. The program combines MHP's permanent financing with a 0% deferred loan of up to $40,000 per affordable unit up to a maximum of $500,000 per project. No other subsidy funds are allowed in this program. The Bridge Financing Program offers bridge loans of up to eight years ranging from $250,000 to $5 million to projects involving Low Income Housing Tax Credits. Applicants should contact MHP directly to obtain additional information on the program and how to apply.

9. OneSource Program

The Massachusetts Housing Investment Corporation (MHIC) is a private, non-profit corporation that since 1991 has provided financing for affordable housing developments and equity for projects that involve the federal Low Income Housing Tax Credit Program. MHIC raises money from area banks to fund its loan pool and invest in the tax credits. In order to qualify for MHIC's OneSource financing, the project must include a significant number of affordable units, such that 20% to 25% of the units are affordable to households earning within 80% of median income. Interest rates are typically one point over prime and there is a 1% commitment fee. MHIC loans range from $250,000 to several million, with a minimum project size of six units. Financing can be used for both rental and homeownership projects, for rehab and new construction, also covering acquisition costs with quick turn-around times for applications of less than a month (an appraisal is required). The MHIC and MHP work closely together to coordinate MHIC's construction financing with MHP's permanent take-out through the OneSource Program, making their forms compatible and utilizing the same attorneys to expedite and reduce costs associated with producing affordable housing.

10. Section 8 Rental Assistance

An important low-income housing resource is the Section 8 Program that provides rental assistance to help low- and moderate-income households pay their rent. In addition to the federal Section 8 Program, the state also provides rental subsidies through the Massachusetts Rental Voucher Program as well as three smaller programs directed to those with special needs. These rental subsidy programs are administered by the state or through local housing authorities and regional non-profit housing organizations. Rent subsidies take two basic forms – either granted directly to tenants or committed to specific projects through special Project-based rental assistance. Most programs require households to pay a minimum percentage of their adjusted income (typically 30%) for housing (rent and utilities) with the government paying the difference between the household's contribution and the actual rent.

11. District Improvement Financing Program (DIF)

The District Improvement Financing Program (DIF) is administered by the state's Office of Business Development to enable municipalities to finance public works and infrastructure by pledging future incremental taxes resulting from growth within a designated area to service financing obligations. This Program, in combination with others, can be helpful in developing or redeveloping target areas of a community, including the promotion of mixed-uses and smart growth. Municipalities submit a standard application and follow a prescribed application process directed by the Office of Business Development in coordination with the Economic Assistance Coordinating Council.

12. Urban Center Housing Tax Increment Financing Zone (UCH-TIF)

The Urban Center Housing Tax Increment Financing Zone Program (UCH-TIF) is a relatively new state initiative designed to give cities and towns the ability to promote residential and commercial development in commercial centers through tax increment financing that provides a real estate tax exemption on all or part of the increased value (the "increment") of the improved real estate. The development must be primarily residential, and this program can be combined with grants and loans from other local, state and federal development programs. An important purpose of the program is to increase the amount of affordable housing for households earning at or below 80% of area median income and requires that 25% of new housing to be built in the zone be affordable, although the Department of Housing and Community Development may approve a lesser percentage where necessary to insure financial feasibility. In order to take advantage of the program, a municipality needs to adopt a detailed UCH-TIF Plan and submit it to DHCD for approval.

13. Community Based Housing Program

The Community Based Housing Program provides loans to nonprofit agencies for the development or redevelopment of integrated housing for people with disabilities in institutions or nursing facilities or at risk of institutionalization. The Program provides permanent, deferred payment loans for a term of 30 years, and CBH funds may cover up to 50% of a CHA unit's Total Development Costs up to a maximum of $750,000 per project.

14. Compact Neighborhoods Program

DHCD recently announced "Compact Neighborhoods" that provides additional incentives to municipalities that adopt zoning districts for working families of all incomes as well as smart growth development. Similar to 40R, the program requires new zoning that must:

- Allow a minimum number of "future zoned units" in the Compact Neighborhood, which is generally 1% of the year-round housing in the community;
- Allow one or more densities as-of-right in the zone of at least eight (8) units per acre on developable land for multi-family housing and at least four (4) units per acre for single-family use;
- Provide not less than 10% of units be affordable within projects of more than 12 units; and
- Not impose any restrictions to age or other occupancy limitations within the Compact Neighborhood zone although projects within the zone may be targeted to the elderly, persons with disabilities, etc.

Financial assistance through the Priority Development Fund is available to communities that are adopting Compact Neighborhoods zoning, giving priority to the creation of mixed-use development beyond the bounds of a single project. The state also promotes projects that meet the definition of smart growth under 40R, encourage housing that is priced to meet the needs of households across a broad range of incomes and needs.

The process for implementing a Compact Neighborhoods Zone includes:

- Identify an "as-of-right" base or overlay district (the Compact Neighborhood);
- Request and receive a Letter of Eligibility from DHCD; and
- Adopt the Compact Neighborhood Zoning.

16. DHCD Project-Based Homeownership Program

DHCD recently announced a first round of funding for its Project-Based Homeownership Program with two (2) funding categories:

- *Areas of Opportunity*
  Funds are being awarded for new construction of family housing projects for first-time homebuyers in neighborhoods or communities that provide access to opportunities that include but are not limited to jobs, transportation, education, and public amenities. The minimum project size is ten (10 units) for up to $500,000 in funding for a single project and no more than $75,000 per affordable unit. The maximum total development cost for affordable units is $300,000 and the maximum developer overhead and fee is 15% of total development costs. Localities must provide matching funds at least equal to the amount of the DHCD subsidy request.

- *Gateway Cities*
  A limited amount of funding will be made available to Gateway Cities or other smaller communities with well-defined Neighborhood Redevelopment Plans for the acquisition and rehabilitation or new construction of single-family or duplex units or triple-deckers (rehab only). The development of single sites is preferred but scattered-site projects are permissible. The minimum project size is six (6 units) for up to $500,000 in funding for a single project and no more than $75,000 per affordable unit. The maximum total development cost for affordable units is $250,000 and the maximum developer overhead and fee is 15% of total development costs. Localities must provide matching funds at least equal to one-half the amount of the DHCD subsidy request.

Sponsors/developers must have hard letters of interest from construction lenders and mortgage loan originators, follow prescribed design/scope guidelines, submit sound market data at the time of pre-application, and have zoning approvals in place. Interested sponsors/developers must submit a pre-application for funding and following its review, DHCD review will invite certain sponsor/developers to submit full applications.

17. National Housing Trust Fund (NHTF)

The state has allocated $3.4 million in Housing Trust Funds and 100 Massachusetts Rental Vouchers to help create supportive housing for vulnerable populations including homeless families and individuals, unaccompanied homeless youth, frail seniors with service needs, and individuals in recovery from substance abuse. This program is intended to provide supplemental support to the federal National Housing Trust Fund, a newly authorized affordable housing program.

18. Community Scale Housing Initiatives (CSHI)

The state has introduced a new program to address the need for smaller scale affordable housing projects that are sized to fit well within the host community. The new initiative will provide $10 million in funding for these projects based on the following eligibility criteria:

- Community must have a population not to exceed 200,000
- Program sponsors can be both non-profit and for-profit entities with a demonstrated ability to undertake the project
- The proposed project must include at least five rental units but no more than 20 rental units
- Project must involve new construction or adaptive reuse
- A minimum of 20% of the units must be affordable but it is anticipated that most proposed projects will have a minimum of 50% affordable units
- The host community must provide a financial commitment in support of the project
- The CSHI subsidy may not exceed $200,000 per unit unless the developer intends to seek DHCD project-based rental assistance in which case the subsidy may not exceed $150,000 per CSHI unit
- The total development cost per unit may not exceed $350,000
- Projects will receive no more than is necessary to make the project feasible
- Projects must be financially feasible without state or federal low income housing tax credits
- Projects are expected to close and proceed to construction within 12 months of the date of the award letter

19. Starter Home Program

State legislation was recently enacted to implement a Starter Home Program as part of the Governor's Economic Development Bill. This was accomplished by modifying the existing Smart Growth Zoning and Housing Production law of Chapter 40R to include $25 million in new funding over five years for cities and towns that create new starter home zoning districts. The new districts will be a minimum of three acres, restrict primary dwelling size to 1,850 square feet of heated living area, require that 50% of the primary dwelling units contain three bedrooms, allow a minimum of four units per acre by right, and provide 20% affordability up to 100% AMI.

20. Workforce Housing Fund

The state is investing in a Workforce Housing Fund to provide rental housing for those households earning 61% to 120% AMI. In his announcement, Governor Baker said, "Making more affordable housing options available to working Massachusetts families deterred by rising rent expenses is essential to economic growth and development in communities throughout the Commonwealth. These working middle-income families are the foundation of our economy and talented workforce, and the creation of this $100 million fund by MassHousing will advance opportunities for them to thrive and prosper."

The Workforce Housing Initiative was created to do the following:

- Target individuals and families with incomes of 61% to 120% of Area Median Income (AMI)
- Provide up to $100,000 of subsidy per workforce housing unit to create 1,000 new units of workforce housing statewide

- Leverage strategic opportunities to use state-owned land
- Complement, does not replace, traditional MassHousing development financing
- Ensure workforce housing units are deed restricted as affordable for at least 30 years

Eligible projects include:

- Preference is for new units; existing projects where unrestricted units become restricted will be considered
- Workforce housing units are intended for working age household and may not be elderly restricted or occupied by full-time students
- 20% of units at the development must be affordable for households earning at or below 80% of AMI

21. Housing Choice Initiative

The state has stated its commitment to producing 135,000 new housing units statewide by 2025 or by about 17,000 units per year, an ambitious task. To help accomplish this, it has created the Housing Choice Initiative that has three basic components that includes Capital Grant Funding. Communities that qualify for designation under this Initiative can receive exclusive admission to new Housing Choice Capital Grants as well as priority access to existing grant and capital funding programs such as MassWorks, Complete Streets, MassDOT projects, and LAND and PARC grants. To obtain this designation, the community must submit an application that documents the increase in the total year-round housing stock from the 2010 census and the cumulative net increase in year-round units from January 1, 2013 through December 31, 2017. Documentation will be based on building permit data coming from the Building Department.

22. Housing Development Incentive Program (HDIP)

The state also administers the Housing Development Incentive Program (HDIP) that offers two tax incentives to developers to undertake new construction or substantial rehabilitation of properties for lease or sale as multi-unit market rate housing including:

- A local-option real estate tax exemption on all or part of the increased property value resulting from improvements.
- State tax credits for Qualified Project Expenditures (QPEs) that are awarded through a rolling application process.

The City of Peabody is participating in this program, focusing on the North River area.

C. <u>Homebuyer Financing and Counseling</u>

1. ONE Mortgage Program

The Massachusetts Housing Partnership Fund, in coordination with the state's Department of Housing and Community Development, has recently introduced the ONE Mortgage Program, a new simplified version of the successful Soft Second Loan Program, which from 1991 to 2013 helped over 17,000 families purchase their first home. Like the Soft Second Program, ONE features low, fixed-rate financing and state-backed reserve that relieves homebuyers of the cost of purchasing private mortgage insurance.

2. American Dream Down-payment Assistance Program

The American Dream Down-payment Assistance Program is awarded to municipalities or non-profit organizations on a competitive basis to help first-time homebuyers with down payments and closing costs. While the income requirements are the same as for the ONE Mortgage Program, the purchase price levels are higher based on the FHA mortgage limits. Deferred loans for the down payment and closing costs of up to 5% of the purchase price to a maximum of $10,000 can be made at no interest and with a five-year term, to be forgiven after five years. Another loan can be made through the program to cover de-leading in addition to the down payment and closing costs, but with a ten-year term instead, with at least 2.5% of the purchase price covering the down payment.

3. Homebuyer Counseling

There are a number of programs, including the ONE Mortgage Program and MassHousing's Home Improvement Loan Program, as well as Chapter 40B homeownership projects, which require purchasers to attend homebuyer workshops sponsored by organizations that are approved by the state, Citizens Housing and Planning Association (CHAPA) and/or HUD as a condition of occupancy. These sessions provide first-time homebuyers with a wide range of important information on homeownership finance and requirements. The organizations that offer these workshops in closest proximity to Peabody include the Merrimack Valley Housing Partnership, Community Teamwork and Gloucester Housing Authority.

4. Self-Help Housing

Self-Help programs involve sweat-equity by the homebuyer and volunteer labor of others to reduce construction costs. Some communities have donated building lots to Habitat for Humanity to construct affordable single housing units. Under the Habitat for Humanity program, homebuyers contribute between 300 and 500 hours of sweat equity while working with volunteers from the community to construct the home. The homeowner finances the home with a 20-year loan at 0% interest. As funds are paid back to Habitat for Humanity, they are used to fund future projects.

D. Home Improvement Financing

1. MassHousing Home Improvement Loan Program (HLP)

The MHFA Home Improvement Loan Program (HILP) is targeted to one- to four-unit, owner-occupied properties, including condominiums, with a minimum loan amount of $10,000 up to a maximum of $50,000. Loan terms range from five to 20 years based on the amount of the loan and the borrower's income and debt. MassHousing services the loans. Income limits are $92,000 for households of one or two persons and $104,000 for families of three or more persons. To apply for a loan, applicants must contact a participating lender.

2. Get the Lead Out Program

MassHousing's Get the Lead Out Program offers 100% financing for lead paint removal on excellent terms that are based on ownership status and type of property. An owner-occupied, single-family home may be eligible to receive a 0% deferred payment loan up to $20,000 that is due when the house is sold, transferred, or refinanced. An owner-occupant of a two-family house could receive up to $25,000 to conduct the de-leading work. Maximum income limits for owner-occupants are $74,400 for one and two-person households and $85,500 for three or more persons. Investor-owners can also participate in the program but receive a 5% fully amortizing loan to cover costs. Non-profit organizations that rent properties to income-eligible residents are also eligible for 0% fully amortizing loans that run from five to 20 years. Applicants must contact a local rehabilitation agency to apply for the loan.

3. Septic Repair Program

Through a partnership with the Massachusetts Department of Environmental Protection and Revenue, MassHousing offers loans to repair or replace failed or inadequate septic systems for qualifying applicants. The interest rates vary according to the borrower's income with 0% loans available to one and two-person households earning up to $23,000 and three or more person households earning up to $26,000 annually. There are 3% loans available for those one or two person households earning up to $46,000 and three or more persons earning up to $52,000. Additionally, one to four-family dwellings and condominiums are eligible for loan amounts of up to $25,000 and can be repaid in as little as three years or over a longer period of up to 20 years. To apply for a loan, applicants must contact a participating lender.

4. Home Modification Program

This state-funded program provides financial and technical assistance to those who require modifications to their homes to make them handicapped accessible. The area's regional non-profit organization, Rural Housing Improvement/RCAP Solutions, administers these funds for the state.

5. Critical Home Repair Program

The City has also partnered with North Shore Habitat for Humanity to provide assistance for emergency repairs. The program, called the Critical Home Repair Program, helps homeowners earning at or below 60% of area median income maintain their homes by making health and safety improvements. The subsidy is structured as a zero percent deferred payment loan of up to $15,000 that is forgiven after 15 years or repaid upon the sale or transfer of ownership if such occurs within the 15-year loan term. The units include 15-year deed restrictions.

E. Homelessness Prevention and Assistance Programs

Homelessness prevention has been identified as a priority housing need in the Housing Needs Assessment. Programs to prevent homeless include but are not limited to the following:

1. Rental Assistance to Families (RAFT)

The Residential Assistance to Families (RAFT) program, funded by DHCD, offers short-term financial help or other assistance to families who are homeless or seriously at-risk of homelessness. Families can get up to $3,000 for such items as rent, mortgage payments, security deposits, utility start-up costs, first/last month's rent, moving expenses, etc.

2. Tenancy Preservation Program (TPP)

The Tenancy Preservation Program (TPP) is administered by MassHousing to prevent homelessness among persons with disabilities. The Program acts as a neutral party between the landlord and tenant, also providing clinical consultation services to the Housing Court. TPP clinicians assess the reasons for the eviction, identify needed services, develop a treatment plan to maintain tenancy, and monitor the case. If the tenancy cannot be preserved, TPP coordinates the tenant's transition to a more appropriate placement, preventing homelessness to the greatest extent possible.

3. Homelessness Prevention and Rapid Re-Housing Program (HPRP) Housing First

The Homelessness Prevention and Rapid Re-Housing Program (HPRP), also referred to as Housing First, was enacted by the federal government as part of the Recovery Act to help persons affected by the current economic crisis to provide homelessness prevention assistance to households who would likely otherwise become homeless and to rapidly re-house persons who are homeless. HUD allows grantees to develop prevention and/or rapid re-housing programs that meet locally-defined needs, to be targeted and prioritized to serve those most in need. This program is not a mortgage assistance program but meant to provide temporary assistance for such items as utility costs, moving costs, security deposits and rent in a new unit, storage fees, and other financing costs or services.

4. HUD Homeless Assistance Grants/McKinney-Vento Appropriations

HUD's Homeless Assistance Grants, funded through McKinney-Vento appropriations, support a variety of programs and activities, largely distributed through the Continuum of Care system across the country. The City of Peabody has served as the lead agent for the Three County Continuum of Care since it was created in 1997. Homeless providers work together to identify their needs and rank projects that they want to fund. HUD then ranks the applications and makes funding decisions. Funds can be used for permanent and supportive housing, transitional housing, and services.